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## **THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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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 TRANSACTION DISPOSAL OF SALE DEBT SECURITIES AND NOTICE OF SPECIAL GENERAL MEETING**

**Independent Financial Adviser to  
the Independent Board Committee and the Independent Shareholders**



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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 8 to 28 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-14 of this circular.

A notice convening the SGM to be held at The Air, L16, The ONE, 100 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Monday, 23 March 2020 at 10:00 a.m. is set out on pages SGM-1 to SGM-2 of this circular. If you are not able to attend the SGM 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.

In order to facilitate the prevention and control of the epidemic and to safeguard the health and safety of the Shareholders, the Company encourages that the Shareholders to consider appointing the chairman of the SGM as his/her proxy to vote on the relevant resolution at the SGM, instead of attending the SGM in person.

28 February 2020

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## DEFINITIONS

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

“Announcement”	the announcement of the Company dated 29 January 2020 in respect of the Disposal Agreement and the Disposal;
“associate(s)”	has the meaning ascribed to it in the Listing Rules;
“Board”	the board of Directors;
“BVI”	the British Virgin Islands;
“Cap Amount”	an aggregate amount equal to HK\$8,000 million, being the maximum transaction amount of the Disposal which may be effected under the Disposal Agreement;
“CINS”	the Committee on Uniform Securities Identification Procedures (CUSIP) international numbering system, which provides identification of international securities;
“Common Code”	the identification code issued jointly by Centrale de Livraison de Valeurs Mobilieres (CEDEL) and Euroclear;
“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;
“Completion”	completion of the Disposal;
“Completion Date”	the date of completion of the Disposal of all or part of the Sale Debt Securities as specified in the Completion Reply Notice which shall be a date falling on the second business day immediately after (and excluding) the relevant Completion Reply Date or such later date as may be agreed between the relevant Seller and the Purchaser in writing pursuant to the Disposal Agreement;
“Completion Notice”	a written notice to be given by the Purchaser to the relevant Seller stating, among other things, the type and principal amount of the Sale Debt Securities to be purchased for Completion;
“Completion Reply Date”	the date on which the Completion Reply Notice is given by the relevant Seller to the Purchaser in response to a Completion Notice, which shall be a date falling on or before the last date of the relevant Reference Period;

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## DEFINITIONS

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“Completion Reply Notice”	a written reply to be given by the relevant Seller to the Purchaser (with a copy to the other Sellers) in response to the relevant Completion Notice given by the Purchaser to the relevant Seller stating, among other things, acceptance of the request for Completion, the Proposed Principal Amount for Sale Debt Securities and the Completion Date;
“Condition(s)”	the condition(s) precedent to the completion of the Disposal as set out in the paragraph headed “Conditions Precedent” in the section headed “Letter from the Board” in this circular;
“connected person(s)”	has the meaning ascribed to it in the Listing Rules;
“Consideration”	the consideration to be paid by the Purchaser to the relevant Seller upon Completion for the sale and purchase of the relevant Sale Debt Securities;
“CUSIP Number”	the identification number assigned to all stocks and registered bonds. The Committee on Uniform Securities Identification Procedures (CUSIP) oversees the entire CUSIP system;
“Director(s)”	director(s) of the Company;
“Disposal”	the proposed disposal of the Sale Debt Securities by the Sellers to the Purchaser pursuant to the terms of the Disposal Agreement;
“Disposal Agreement”	the sale and purchase agreement dated 29 January 2020 entered into among the Sellers and the Purchaser relating to the sale and purchase of the Sale Debt Securities;
“Excluded Debt Securities”	the relevant Sale Debt Securities to be excluded from the subject matter for the Disposal by the relevant Sellers pursuant to the terms of the Disposal Agreement;
“Final Completion”	completion of the last tranche of the Sale Debt Securities (save for any Excluded Debt Securities) pursuant to the terms of the Disposal Agreement, which shall take place not later than the Final Completion Date;
“Final Completion Date”	a date not later than 31 December 2020;
“First Seller”	Chase Master Company Limited, a company incorporated in Hong Kong with limited liability, an indirect wholly-owned subsidiary of the Company, being the holder of the First Seller Debt Securities as at the date of the Disposal Agreement;

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## DEFINITIONS

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“First Seller Debt Securities”	the relevant Sale Debt Securities held by the First Seller and to be disposed of to the Purchaser pursuant to the Disposal Agreement, with particulars set out in the paragraph headed “Information on the Sale Debt Securities” in the section headed “Letter from the Board” in this circular;
“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 Disposal Agreement and the Disposal;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, namely, Mr. Chan, Kwok-wai, Ms. Phillis Loh, Lai-ping and Mr. Ma, Tsz-chun, established by the Board for the purpose of advising the Independent Shareholders in relation to the terms of the Disposal Agreement and the Disposal;
“Independent Shareholders”	Shareholders other than (a) Shareholders who have a material interest in the Disposal (including Ms. Chan, Hoi-wan and her associates(s) (if they hold any Shares)) and (b) Shareholders who are Related Parties pursuant to the Stock Exchange Undertaking;
“Independent Shareholders’ Approval”	the approval to be sought from the Independent Shareholders at the SGM in respect of the Disposal Agreement and the Disposal;
“Independent Third Party”	a person or a company which is a third party independent of the Company and its connected person(s) (as defined under the Listing Rules);
“ISIN”	the International Securities Identification Number, a code that uniquely identifies a specific securities issue;
“Issuer(s)”	the issuer(s) of the Sale Debt Securities, with particulars set out in the paragraph headed “Information on the Sale Debt Securities” in the section headed “Letter from the Board” in this circular;
“JLLH Investments”	Joseph Lau Luen Hung Investments Limited, a company incorporated in the BVI with limited liability, directly wholly-owned by Solar Bright as at the Latest Practicable Date;

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## DEFINITIONS

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“Last Interest Payment Date”	in respect of a particular type of Sale Debt Securities, the date on which interest was paid to the holder of such Sale Debt Securities pursuant to the terms and conditions thereof immediately preceding the relevant Completion Date;
“Latest Practicable Date”	24 February 2020, 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;
“Long Stop Date”	the fifth business day preceding the Final Completion Date or such other date not later than the Final Completion Date as may be agreed among the Sellers and the Purchaser, which is the latest time for the fulfilment or (where applicable) waiver of the Conditions;
“LTV Ratio”	a loan-to-value ratio calculated as a percentage of the total margin loan facilities made available to the Group by the relevant lender of the Group and the total value of the security interests created by the Group in favour of such lender;
“Market Bid Price”	in relation to the relevant Sale Debt Securities, a price representing the highest of not less than three bid prices obtained by the relevant Seller through independent financial institution(s) on the next business day after its receipt of the Completion Notice (or such other date as may be agreed between the relevant Seller and the Purchaser pursuant to the Disposal Agreement), or in the event that less than three bid prices could be obtained, the highest of bid price(s) obtained;
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“Proposed Principal Amount for Sale Debt Securities”	the proposed principal amount of the relevant Sale Debt Securities to be transferred by the relevant Seller to the Purchaser as stated in the Completion Reply Notice, which may either be equal to or less than the principal amount and/or of the same type(s) or consist of fewer types of the relevant Sale Debt Securities than those stated in the Completion Notice;
“Purchaser” or “Ms. Chan, Hoi-wan”	Ms. Chan, Hoi-wan, an executive Director and a trustee of substantial shareholders (who are two of her minor children);

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## DEFINITIONS

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“Reference Period”	in respect of Completion of the relevant Sale Debt Securities, a period of not more than three business days after the date of receipt of the Completion Notice served by the Purchaser to the relevant Seller, or such longer period as may be agreed between the relevant Seller(s) and the Purchaser in writing;
“Related Party”	for the purpose of the Stock Exchange Undertaking, a director, a substantial shareholder, a subsidiary or an 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) 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;
“relative(s)”	has the meaning ascribed to it under Rule 14A.21(1)(a) of the Listing Rules;
“Sale Debt Securities”	the debt securities agreed to be disposed of by the relevant Sellers and purchased by the Purchaser pursuant to the Disposal Agreement, in the minimum denomination of US\$200,000 of the principal amount of the relevant Sale Debt Securities and multiples of US\$1,000 in excess thereof, or such other denomination as specified in the terms and conditions of the relevant Sale Debt Securities, with particulars set out in the paragraph headed “Information on the Sale Debt Securities” in the section headed “Letter from the Board” in this circular;
“Second Seller”	Lucky Way Company Ltd. (carrying on business in Hong Kong as Lucky Path Limited), a company incorporated in the BVI with limited liability, an indirect wholly-owned subsidiary of the Company, being the holder of the Second Seller Debt Securities as at the date of the Disposal Agreement;
“Second Seller Debt Securities”	the relevant Sale Debt Securities held by the Second Seller and to be disposed of to the Purchaser pursuant to the Disposal Agreement, with particulars set out in the paragraph headed “Information on the Sale Debt Securities” in the section headed “Letter from the Board” in this circular;
“Sellers”	collectively, the First Seller, the Second Seller and the Third Seller, and the term “Seller” shall mean any one of them or the one that is relevant in the context in which such term appears;

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## DEFINITIONS

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“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 Disposal Agreement and the Disposal;
“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);
“Sino Omen”	Sino Omen Holdings Limited, a company incorporated in the BVI with limited liability, directly wholly-owned by Ms. Chan, Hoi-wan as the trustee for two of her minor children as at the Latest Practicable Date;
“Solar Bright”	Solar Bright Ltd., a company incorporated in the BVI with limited liability, directly wholly-owned by Sino Omen as at the Latest Practicable Date;
“Specified Transaction(s)”	<p>for the purpose of the Stock Exchange Undertaking, transaction(s) between the Company or any of its subsidiaries and a Related Party being:</p> <ul style="list-style-type: none"><li>(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;</li><li>(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</li><li>(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;</li></ul>

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 12 months, exceeds HK\$200 million;



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## DEFINITIONS

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“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);
“subsidiary(ies)”	has the meaning as ascribed thereto under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong);
“substantial shareholder(s)”	has the meaning ascribed to it in the Listing Rules;
“Third Seller”	City Gateway Limited, a company incorporated in the BVI with limited liability, an indirect wholly-owned subsidiary of the Company, being the holder of the Third Seller Debt Securities as at the date of the Disposal Agreement;
“Third Seller Debt Securities”	the relevant Sale Debt Securities beneficially owned by the Second Seller and legally held by the Third Seller as the Second Seller’s nominee as at the date of the Disposal Agreement, and to be disposed of to the Purchaser by the Third Seller as the Second Seller’s nominee pursuant to the Disposal Agreement, with particulars set out in the paragraph headed “Information on the Sale Debt Securities” in the section headed “Letter from the Board” in this circular;
“US\$”	United States dollar, the lawful currency of the United States; and
“%”	per cent.

*For the purpose of this circular, the conversion of US\$ into HK\$ is based on the exchange rate of US\$1 to HK\$7.7856 for illustration purpose only.*

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# LETTER FROM THE BOARD

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## CHINESE ESTATES HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 127)**

*Executive Directors:*

Chan, Sze-wan (*Chief Executive Officer*)  
Chan, Hoi-wan  
Chan, Lok-wan  
Lam, Kwong-wai

*Registered office:*

Victoria Place, 5th Floor  
31 Victoria Street  
Hamilton HM 10  
Bermuda

*Non-executive Directors:*

Lau, Ming-wai (*Chairman*)  
Amy Lau, Yuk-wai

*Principal office in Hong Kong:*

26th Floor  
China Evergrande Centre  
38 Gloucester Road  
Wanchai  
Hong Kong

*Independent Non-executive Directors:*

Chan, Kwok-wai  
Phillis Loh, Lai-ping  
Ma, Tsz-chun

28 February 2020

*To the Shareholders*

Dear Sir or Madam,

### **MAJOR AND CONNECTED TRANSACTION**

#### **DISPOSAL OF SALE DEBT SECURITIES**

##### **A. INTRODUCTION**

Reference is made to the Announcement.

On 29 January 2020, after trading hours, the Sellers entered into the Disposal Agreement with the Purchaser in relation to the sale and purchase of the Sale Debt Securities at the Consideration which shall be determined based on the higher of (i) 100% of the Proposed Principal Amount for Sale Debt Securities; and (ii) the prevailing Market Bid Price for each individual Sale Debt Securities. The aggregate transaction amount of the Disposal shall be subject to the Cap Amount equal to HK\$8,000 million. Completion of the Disposal Agreement is conditional upon, among others, the Independent Shareholders' Approval having been obtained. Pursuant to the terms and conditions of the Disposal Agreement, Completion may take place in tranches.

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## LETTER FROM THE BOARD

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As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal by reference to the Cap Amount exceed 25% but are less than 75%, accordingly, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the Purchaser, namely, Ms. Chan, Hoi-wan, is an executive Director and indirectly held an aggregate of approximately 50.02% of the total issued share capital of the Company as at the Latest Practicable Date as a trustee of the substantial shareholders who are two of her minor children, the Purchaser is a connected person of the Company. Accordingly, the Disposal also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is therefore subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The purpose of this circular is to provide you with, among other things, (i) further information relating to the Disposal Agreement and the Disposal; (ii) the letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders; (iii) the recommendation from the Independent Board Committee to the Independent Shareholders; and (iv) other information as required under the Listing Rules together with the notice of SGM.

### **B. THE DISPOSAL AGREEMENT**

#### **Date**

29 January 2020

#### **Parties**

- (a) Chase Master Company Limited as the First Seller;
- (b) Lucky Way Company Ltd. as the Second Seller;
- (c) City Gateway Limited as the Third Seller; and
- (d) Ms. Chan, Hoi-wan as the Purchaser.

#### **Subject matter**

Pursuant to the Disposal Agreement, each of the Sellers has agreed to sell, and the Purchaser has agreed to purchase, the Sale Debt Securities free from all encumbrances with effect from Completion and with all rights attached thereto including the right to receive all interest attached thereto payable on or after Completion subject to the terms and conditions of the Disposal Agreement. The aggregate transaction amount of the Disposal shall be subject to the Cap Amount of HK\$8,000 million.

It is contemplated under the Disposal Agreement that the Disposal may be completed in tranches subject to the Conditions being satisfied or waived, as the case may be, with respect to the relevant Sale Debt Securities.

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## LETTER FROM THE BOARD

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For particulars of the Sale Debt Securities, please refer to the paragraph headed “Information on the Sale Debt Securities” below.

### **Consideration**

The Consideration shall be payable by the Purchaser in full in cash upon Completion, and the Consideration for the sale and purchase of the relevant Sale Debt Securities shall be determined as follows:

$$\text{Consideration} = \text{A} + \text{B}$$

Where:

A = an amount representing 100% or the Market Bid Price of the Proposed Principal Amount for Sale Debt Securities, whichever is higher; and

B = the total amount of notional interest on the Proposed Principal Amount for Sale Debt Securities calculated at the coupon rate per annum on the Proposed Principal Amount for Sale Debt Securities based on the actual number of days elapsed accruing on a daily basis since and including the Last Interest Payment Date up to but excluding the Completion Date subject to the coupon frequency and date count as specified in the terms and conditions of the relevant Sale Debt Securities.

Based on 100% of the principal amount of the Sale Debt Securities which is the minimum aggregate Consideration at which the Sale Debt Securities are to be disposed of to the Purchaser pursuant to the Disposal Agreement, without taking into account any notional interests (where applicable) to be accrued on the Sale Debt Securities which shall form part of the Consideration to be paid by the Purchaser to the Sellers at Completion, it is estimated that the total Consideration for the Disposal of all the Sale Debt Securities would be not less than US\$840,415,000 (equivalent to approximately HK\$6,543,135,000) in aggregate.

For the purpose of obtaining the Market Bid Price, the relevant Seller will approach a selection of reputable financial institutions which provide debt securities trading services (but without limitation to) such as which the Group has opened securities trading accounts and has established a business relationship, and which are among a limited number of private banks or commercial banks with branches in Hong Kong which serve multinational customers and provide a comprehensive range of wealth management services including debt capital trading market support services and liquidity to their clients. As at the Latest Practicable Date, there are six financial institutions in the pool of selection of the Group which fulfil the aforesaid criteria. From the Group’s experience in debt securities trading, normally the financial institutions would revert to the Group with a bid price within the same day after it has received a request for bid price from the Group. Although technically the possibility that a financial institution does not revert to the Group with a bid price within the same day cannot be precluded as that is beyond the control of the Group, in which event the relevant Seller may negotiate with the Purchaser to agree on another date for the relevant Seller to obtain the Market Bid Price, based on the experience and industry knowledge of the management of the Group from the Group’s ordinary

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## LETTER FROM THE BOARD

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and usual course of securities trading activity including trading of debt securities, the debt market is a large market with a large number of participants including financial institutions and other individual and corporate investors and the trading market of debt securities is rather active, and the Company believes, from its past experience, that it is the usual practice of financial institutions to revert with a price quote within the same day so as to grasp the opportunity and maintain their competitiveness given that their client such as the Group may be approaching multiple financial institutions for the purpose of trading and obtaining price quotes. Nevertheless, the Sellers will use their best endeavours to seek bid prices from their selection of reputable financial institutions by approaching all the aforesaid selected financial institutions for each tranche of the Sale Debt Securities in order to obtain not less than three bid prices for comparison for determining the Market Bid Price.

In the situation where the relevant Seller requires the Purchaser to consummate Completion for the last tranche of the Sale Debt Securities in the absence of Completion Notice given by the Purchaser, the relevant Seller will retain the flexibility of choosing a date on which the relevant Seller will obtain the Market Bid Price for the purpose of determining the Consideration for Completion. Notwithstanding that, given that the Long Stop Date shall be a date falling on the fifth business day preceding the Final Completion Date (i.e., 23 December 2020), in practice such date for obtaining the Market Bid Price would be a date within a short span of time immediately after the fifth business day preceding the Long Stop Date and not later than 29 December 2020, given that Completion shall take place on the second business day after the date of the relevant Completion Reply Notice and the Final Completion shall occur no later than 31 December 2020.

The Market Bid Price is determined by the highest bid price from not less than three different financial institutions to be obtained by the Sellers (or the highest bid price in less than three bid prices could be obtained), which ensures that the Market Bid Price is the highest possible bid price which the relevant Seller is able to dispose of the Sale Debt Securities in the market. Such practice is in line with the Group's practice in its ordinary and usual course of securities trading activity when the Group disposes of its debt securities on the market through independent financial institutions where the Group normally has to make investment decisions in a prompt manner in response to market conditions which may change rapidly so as to capture appropriate opportunities arise on the market. Coupled with the fact that there is a definite time limit for the Final Completion, namely, 31 December 2020, pursuant to the Disposal Agreement by which the parties should use their best endeavours to complete the sale and purchase of the Sale Debt Securities so as to give effect to the Disposal to the greatest extent within the Cap Amount, the Board is of the view that such price discovery mechanism for the Disposal is in line with the market practice and is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### **Conditions Precedent**

The obligations of the parties to the Disposal Agreement to consummate Completion shall be conditional upon:

- (1) the Company having obtained the Independent Shareholders' Approval at the SGM in compliance with the Listing Rules and (if any) other applicable regulatory requirements by the Company;
- (2) with respect to any relevant Sale Debt Securities where security interests have been created in favour of any lender of the Group, the Seller of the relevant Sale Debt Securities having obtained the consent from the relevant lender regarding the release of security interests of such relevant Sale Debt Securities; and
- (3) the Seller of the relevant Sale Debt Securities being satisfied with the LTV Ratio to which the Group (including the Seller) is subject to pursuant to the margin loan facilities made available to the Group (including the Seller) upon completion of the Disposal of relevant Sale Debt Securities.

### **Principal amount of the relevant Sale Debt Securities for Completion**

For the purpose of fulfilling the Condition of maintaining the LTV Ratio to which the Group (including the Seller) is subject to pursuant to the margin loan facilities made available to the Group (including the Seller) upon completion of the Disposal of relevant Sale Debt Securities, the relevant Seller may at its sole and absolute discretion adjust the principal amount and/or the types (in case more than one type of the Sale Debt Securities are specified in the Completion Notice) of the relevant Sale Debt Securities for Completion (as described in more detail below in the paragraph headed "Obligations of the Sellers and the Purchaser prior to Completion" below) to an amount less than the principal amount and/or to fewer types of the relevant Sale Debt Securities as specified in the Completion Notice given by the Purchaser.

### **Satisfaction or waiver of Conditions**

The Sellers may waive, in their sole discretion, any of the Conditions (save for obtaining the Independent Shareholders' Approval) by written notice to the Purchaser. In the event that the Company fails to obtain the Independent Shareholders' Approval on or before the Long Stop Date, the Disposal Agreement shall immediately terminate in which event all rights and obligations of the parties to the Disposal Agreement shall cease immediately upon termination and no party shall have any liability under the Disposal Agreement save for antecedent breaches prior to such termination.

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## LETTER FROM THE BOARD

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If any of the Conditions (assuming the Independent Shareholders' Approval having been obtained) with respect to any relevant Sale Debt Securities becomes incapable of being fulfilled as determined by the relevant Seller in its sole and absolute discretion by or before the Long Stop Date, the relevant Seller may exclude such relevant Sale Debt Securities from the Disposal Agreement so that the Disposal Agreement shall be automatically deemed as having been amended and restated to the effect that the Excluded Debt Securities shall be treated as having been excluded from the Disposal Agreement and the relevant Seller shall have the right to dispose of the Excluded Debt Securities to any other third party on such terms and conditions as it deems fit. The Company will further comply with all applicable Listing Rules requirements should the Sellers dispose of any Excluded Debt Securities to other third parties.

As at the Latest Practicable Date, the Conditions had not been fulfilled.

### **Completion**

Completion of the Disposal shall take place on the Completion Date on which 100% of the Consideration as stated in the relevant Completion Reply Notice shall be paid by the Purchaser to the relevant Seller in full and in cash, against such settlement of the Consideration in full by the Purchaser, the relevant Sale Debt Securities in their respective principal amount(s) as stated in the Completion Reply Notice shall be transferred to the Purchaser in accordance with the logistics for Completion as agreed in the Disposal Agreement. It is contemplated under the Disposal Agreement that the Disposal may be completed in tranches subject to the Conditions being satisfied or waived, as the case may be, with respect to the relevant Sale Debt Securities in which event the Final Completion shall take place not later than the Final Completion Date, which shall be a date not later than 31 December 2020. Completion of each tranche of the Sale Debt Securities is not inter-conditional upon any others.

### **Obligations of the Sellers and the Purchaser prior to Completion**

#### ***Completion Notice from the Purchaser to the relevant Seller***

At any time after the Independent Shareholders' Approval having been obtained by the Company, the Purchaser shall send the Completion Notice(s) to the relevant Seller not later than the fifth business day preceding the Long Stop Date stating the type(s) and the principal amount(s) of the relevant Sale Debt Securities to be purchased for the purpose of Completion.

#### ***Satisfaction of Conditions***

After receipt of the Completion Notice by the relevant Seller, the relevant Seller shall use its reasonable endeavours to procure the remaining Conditions be satisfied (or be waived (if applicable)) before the expiry of the Reference Period.

#### ***Completion Reply Notice from the relevant Seller to the Purchaser***

Upon fulfilment (or where applicable, waiver) of the remaining Conditions and before the expiry of the Reference Period, the relevant Seller shall send the Completion Reply Notice to the Purchaser stating, among other things, (a) the Proposed Principal Amount for Sale Debt Securities; (b) the Market Bid Price; (c) the calculation of the Consideration; and (d) the Completion Date.

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## LETTER FROM THE BOARD

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### *Undertakings to cooperate for fulfilment of the Conditions and negotiate in good faith for Completion*

For the purpose of procuring the fulfilment of the Conditions for Completion, each party to the Disposal Agreement undertakes with each other to provide and/or procure the provision of such guarantee, indemnity or security as may be reasonably required by the relevant lender of the Group (including the Sellers) prior to or following such Completion.

In the event that the Purchaser has complied with her obligation to send the Completion Notice to the relevant Seller(s) for Completion but the Conditions (other than obtaining Independent Shareholders' Approval) fail to be satisfied (or, where applicable, waived) before the Long Stop Date, the Purchaser and the relevant Seller(s) shall negotiate in good faith to agree on a postponed Completion Date which shall not be later than the Final Completion Date and once the remaining Conditions are satisfied (or waived, as the case may be) and the Completion Reply Notice in relation to the Completion is given by the relevant Seller(s) to the Purchaser, the Purchaser shall be obliged to proceed with Completion.

### *Purchaser's obligation to consummate Completion in the absence of Completion Notice*

In the event that upon expiry of the fifth business day preceding the Long Stop Date, any Seller has not received the Completion Notice from the Purchaser for the remaining Sale Debt Securities relevant to such Seller, the relevant Seller shall serve on the Purchaser a Completion Reply Notice (in the absence of the Completion Notice) to require the Purchaser to proceed with Completion for such remaining Sale Debt Securities upon the satisfaction or waiver, as the case may be, of the remaining Conditions by or before the Long Stop Date, and the Purchaser shall be obliged to complete the sale and purchase of the relevant Sale Debt Securities in accordance with the terms specified in such Completion Reply Notice.

### *Sellers' obligations to give effect to the Disposal to the greatest extent subject to and upon fulfilment of conditions precedent and subject to the Cap Amount*

Notwithstanding that the Sellers have the sole and absolute discretion to reduce the relevant principal amount(s) (including the type(s)) of the Sale Debt Securities as specified in the Completion Notice, each Seller is under an obligation to consummate Completion to the fullest extent possible upon the fulfilment of the conditions precedent so as to give effect to the Disposal to the greatest extent within the Cap Amount.

### **Cap Amount**

Notwithstanding the above, the aggregate transaction amount of the Disposal shall be subject to the Cap Amount equal to HK\$8,000 million and any relevant Seller may in its sole and absolute discretion reduce the relevant principal amount(s) (including the type(s)) of the Sale Debt Securities as specified in the Completion Notice so that the Proposed Principal Amount for Sale Debt Securities for the relevant tranche would not result in the Cap Amount being exceeded. The Cap Amount of HK\$8,000 million represents approximately 10% in excess of the estimated total Consideration as of 23 January 2020 taking into account the maximum amount of notional interests, with further details set out in the paragraph headed "Reasons for and Benefits of the Disposal" below.



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## LETTER FROM THE BOARD

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If, after having given due consideration to the aforesaid possibility of reduction in principal amount(s) and/or type(s) of the Sale Debt Securities in respect of a certain tranche of the Sale Debt Securities proposed to be the subject matter of a Completion, the Consideration payable by the Purchaser as determined by the relevant Seller during the Reference Period (with or without Completion Notice served by the Purchaser), when aggregated with all previous Consideration which has been paid and/or to be paid by the Purchaser under the Disposal Agreement, would still result in the Cap Amount being exceeded, completion of the Disposal of such tranche shall not be consummated, such that the relevant Completion Notice served by the Purchaser would be treated as withdrawn and cancelled. However, nothing under such circumstance shall prevent (i) the Purchaser from serving on the relevant Seller further Completion Notice(s) proposing to purchase the same type(s) of the Sale Debt Securities (of the same or a different principal amount thereof) at a later date by or before the fifth business day immediately preceding the Long Stop Date; and/or (ii) any relevant Seller from requiring the Purchaser to purchase such Sale Debt Securities or any portion of them (in such principal amount(s) and type(s) as may be determined by the relevant Seller) by serving a Completion Reply Notice on the Purchaser (in the absence of the Completion Notice), provided that in both cases the aforesaid limitation of the Cap Amount shall still be adhered to.

In the event that if, in respect of any of the Sale Debt Securities, the Completion of which cannot be consummated due to the restriction of the Cap Amount pursuant to the Disposal Agreement by or before the Final Completion Date, such relevant Sale Debt Securities shall be excluded from the Disposal Agreement so that the Disposal Agreement shall be automatically deemed as having been amended and restated to the effect that the Excluded Debt Securities shall be treated as having been excluded from the Disposal Agreement and the relevant Seller(s) shall have the right to dispose of the Excluded Debt Securities to any other third party on such terms and conditions as it deems fit. The Company will further comply with all applicable Listing Rules requirements should the Sellers dispose of any Excluded Debt Securities to other third parties.

### **Obligations of the Sellers to exercise their discretions to give effect to the Disposal to the greatest extent within the Cap Amount**

Notwithstanding anything mentioned above, each of the Sellers shall, provided that and so long as the Conditions (other than obtaining the Independent Shareholders' Approval) can be fulfilled (or, as the case may be, waived by the relevant Seller), determine the Proposed Principal Amount for Sale Debt Securities (including the type(s) of the Sale Debt Securities to be transferred to the Purchaser) to the fullest extent possible so as to give effect to the Disposal to the greatest extent within the Cap Amount.

## LETTER FROM THE BOARD

### C. INFORMATION ON THE SALE DEBT SECURITIES

Information on the Sale Debt Securities is as follows:

No.	ISIN/Common Code/ CUSIP Number/CINS (where applicable)/ Stock Code (if listed on the Stock Exchange)	The Sale Debt Securities (including coupon rate and maturity date)	Holder of the Sale Debt Securities	Principal amount to be sold in the Disposal	Original acquisition cost of the Sale Debt Securities (or the portion of principal amount thereof) which were acquired by the Group within the 12-month period immediately preceding the date of the Disposal Agreement	Total principal amount of the same type of the Sale Debt Securities held by the Group as at the Latest Practicable Date (Note 1)	Name of Issuer
1.	ISIN: XS1982037779 Common Code: 198203777 CUSIP Number: N/A CINS: G2119WAQ9 Stock Code: N/A	10.0% Senior Notes due 2023	First Seller	US\$50,000,000	US\$50,000,000 of principal amount acquired at US\$50,000,000	US\$50,000,000	China Evergrande Group (Note 2)
2.	ISIN: XS1982040641 Common Code: 198204064 CUSIP Number: N/A CINS: G2119WAP1 Stock Code: N/A	10.5% Senior Notes due 2024	First Seller	US\$50,000,000	US\$50,000,000 of principal amount acquired at US\$50,000,000	US\$50,000,000	China Evergrande Group (Note 2)
3.	ISIN: XS1627598094 Common Code: 162759809 CUSIP Number: N/A CINS: G52132AU4 Stock Code: N/A	9.375% Senior Notes due 2024	First Seller	US\$142,000,000	–	US\$217,000,000	Kaisa Group Holdings Ltd. (Note 3)
4.	ISIN: XS1903671938 Common Code: 190367193 CUSIP Number: N/A CINS: G7848UAB3 Stock Code: N/A	13.75% Senior Notes due 2023	First Seller	US\$2,000,000	US\$2,000,000 of principal amount acquired at US\$2,006,000	US\$2,000,000	Scenery Journey Limited (Note 4)
5.	ISIN: XS1810024338 Common Code: 181002433 CUSIP Number: N/A CINS: G8569AAH9 Stock Code: N/A	8.35% Senior Notes due 2023	First Seller	US\$52,000,000	–	US\$124,000,000	Sunac China Holdings Limited (Note 5)
			Third Seller	US\$72,000,000	–		
6.	ISIN: XS2049640332 Common Code: 204964033 CUSIP Number: N/A CINS: G9898CAA0 Stock Code: 40005	11.50% Senior Notes due 2021	First Seller	US\$9,500,000	US\$9,500,000 of principal amount acquired at US\$9,435,250	US\$9,500,000	Zhongliang Holdings Group Company Limited (Note 6)

## LETTER FROM THE BOARD

No.	ISIN/Common Code/ CUSIP Number/CINS (where applicable)/ Stock Code (if listed on the Stock Exchange)	The Sale Debt Securities (including coupon rate and maturity date)	Holder of the Sale Debt Securities	Principal amount to be sold in the Disposal	Original acquisition cost of the Sale Debt Securities (or the portion of principal amount thereof) which were acquired by the Group within the 12-month period immediately preceding the date of the Disposal Agreement	Total principal amount of the same type of the Sale Debt Securities held by the Group as at the Latest Practicable Date (Note 1)	Name of Issuer
7.	ISIN: US251525AN16 Common Code: 114329657 CUSIP Number: N/A CINS: N/A Stock Code: N/A	7.5% Perpetual Undated Non-cumulative Fixed to Reset Rate Additional Tier 1 Notes of 2014	First Seller	US\$43,000,000	–	US\$43,000,000	Deutsche Bank AG (Note 7)
8.	ISIN: USF8586CBQ45 Common Code: 180635955 CUSIP Number: N/A CINS: F8586CBQ4 Stock Code: N/A	6.75% Perpetual Undated Deeply Subordinated Additional Tier 1 Fixed Rate Resettable Callable Notes	First Seller	US\$71,000,000	–	US\$71,000,000	Société Générale (Note 13)
9.	ISIN: USF8586CRW49 Common Code: 100604221 CUSIP Number: N/A CINS: F8586CRW4 Stock Code: N/A	7.875% Perpetual Undated Deeply Subordinated Resettable Interest Rate Notes	First Seller	US\$32,000,000	–	US\$52,000,000	Société Générale (Note 13)
			Second Seller	US\$20,000,000	–		
10.	ISIN: US780099CK11 Common Code: 127529876 CUSIP Number: N/A CINS: N/A Stock Code: N/A	8.000% Perpetual Subordinated Contingent Convertible Additional Tier 1 Capital Notes (Callable August 10, 2025 and Every Five Years Thereafter)	First Seller	US\$10,000,000	–	US\$10,000,000	The Royal Bank of Scotland Group plc (Note 8)
11.	ISIN: USU2526DAE95 Common Code: 138602605 CUSIP Number: N/A CINS: U2526DAE9 Stock Code: N/A	8.1% Senior Notes due 2036	Second Seller	US\$9,000,000	–	US\$9,000,000	Diamond 1 Finance Corp/Diamond 2 Finance Corp (Note 14)
12.	ISIN: USU2526DAF60 Common Code: 138605019 CUSIP Number: N/A CINS: U2526DAF6 Stock Code: N/A	8.35% Senior Notes due 2046	Second Seller	US\$16,000,000	–	US\$21,000,000	Diamond 1 Finance Corp/Diamond 2 Finance Corp (Note 14)
			Third Seller	US\$5,000,000	–		

## LETTER FROM THE BOARD

No.	ISIN/Common Code/ CUSIP Number/CINS (where applicable)/ Stock Code (if listed on the Stock Exchange)	The Sale Debt Securities (including coupon rate and maturity date)	Holder of the Sale Debt Securities	Principal amount to be sold in the Disposal	Original acquisition cost of the Sale Debt Securities (or the portion of principal amount thereof) which were acquired by the Group within the 12-month period immediately preceding the date of the Disposal Agreement	Total principal amount of the same type of the Sale Debt Securities held by the Group as at the Latest Practicable Date (Note 1)	Name of Issuer
13.	ISIN: XS1481041587 Common Code: 148104158 CUSIP Number: N/A CINS: G0809LDY2 Stock Code: N/A	7.875% Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities (Callable 2022 and Every Five Years Thereafter)	Second Seller	US\$17,000,000	–	US\$17,000,000	Barclays PLC (Note 8)
14.	ISIN: US539439AG42 Common Code: 104493246 CUSIP Number: N/A CINS: N/A Stock Code: N/A	7.5% Fixed Rate Reset Additional Tier 1 Perpetual Subordinated Contingent Convertible Securities	Second Seller	US\$6,000,000	–	US\$9,500,000	Lloyds Banking Group plc (Note 9)
			Third Seller	US\$3,500,000	–		
15.	ISIN: USG84228CQ91 Common Code: N/A CUSIP Number: N/A CINS: G84228CQ9 Stock Code: 04305	7.5% Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities	Second Seller	US\$50,000,000	–	US\$52,500,000	Standard Chartered PLC (Note 10)
16.	ISIN: US780097BB64 Common Code: 147856270 CUSIP Number: N/A CINS: N/A Stock Code: N/A	8.625% Perpetual Subordinated Contingent Convertible Additional Tier 1 Capital Notes (Callable August 15, 2021 and Every Five Years Thereafter)	Second Seller	US\$61,000,000	–	US\$75,000,000	The Royal Bank of Scotland Group plc (Note 8)
			Third Seller	US\$14,000,000	–		
17.	ISIN: CH0331455318 Common Code: 147163894 CUSIP Number: N/A CINS: H42097AA5 Stock Code: N/A	7.125% Perpetual Tier 1 Subordinated Notes	Second Seller	US\$23,000,000	–	US\$31,000,000	UBS Group AG (Note 11)
			Third Seller	US\$8,000,000	–		
18.	ISIN: XS1627599654 Common Code: 162759965 CUSIP Number: N/A CINS: G2119WAE6 Stock Code: N/A	8.75% Senior Notes due 2025	Third Seller	US\$40,000,000	–	US\$40,000,000	China Evergrande Group (Note 2)

## LETTER FROM THE BOARD

No.	ISIN/Common Code/ CUSIP Number/CINS (where applicable)/ Stock Code (if listed on the Stock Exchange)	The Sale Debt Securities (including coupon rate and maturity date)	Holder of the Sale Debt Securities	Principal amount to be sold in the Disposal	Original acquisition cost of the Sale Debt Securities (or the portion of principal amount thereof) which were acquired by the Group within the 12-month period immediately preceding the date of the Disposal Agreement	Total principal amount of the same type of the Sale Debt Securities held by the Group as at the Latest Practicable Date (Note 1)	Name of Issuer
19.	ISIN: US404280AT69 Common Code: 121032929 CUSIP Number: N/A CINS: N/A Stock Code: N/A	6.375% Perpetual Subordinated Contingent Convertible Securities (Callable March 2025 and Every Five Years Thereafter)	Third Seller	US\$19,000,000	–	US\$19,000,000	HSBC Holdings plc. (Note 12)
20.	ISIN: US404280BP39 Common Code: 179812126 CUSIP Number: N/A CINS: N/A Stock Code: N/A	6.500% Perpetual Subordinated Contingent Convertible Securities (Callable March 23, 2028 and Every Five Years Thereafter)	Third Seller	US\$9,415,000	–	US\$9,415,000	HSBC Holdings plc. (Note 12)
21.	ISIN: USH4209UAT37 Common Code: 194652267 CUSIP Number: N/A CINS: H4209UAT3 Stock Code: N/A	7.00% Perpetual Tier 1 Capital Notes	Third Seller	US\$6,000,000	–	US\$7,000,000	UBS Group AG (Note 11)

*Notes:*

1. The total principal amount of the same type of the debt securities issued by the same issuers as the Sale Debt Securities refers to the aggregate holding of the Group of such debt securities as a whole (which may include other members of the Group in addition to the Sellers). Such total principal amount was based on the Group's holding of such debt securities as at the Latest Practicable Date which may be subject to change after the Latest Practicable Date depending on the Group's investment decisions.
2. It together with its subsidiaries are principally engaged in property development, property investment, property management, new energy vehicle business, hotel operations, finance business, internet business and health industry business in the PRC. Its shares are listed on the Main Board of the Stock Exchange (stock code: 3333).
3. It is a Hong Kong-based investment holding company principally engaged in property development, property investment, property management, hotel and catering operations and the operation of department stores, cinemas and cultural centers. Its shares are listed on the Main Board of the Stock Exchange (stock code: 1638).

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## LETTER FROM THE BOARD

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4. It is an indirect wholly-owned subsidiary of China Evergrande Group, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 3333). Please see Note 2 above for information about the principal business activities of China Evergrande Group.
5. It together with its subsidiaries are principally engaged in the sales of properties in the PRC. Its shares are listed on the Main Board of the Stock Exchange (stock code: 1918).
6. It together with its subsidiaries are primarily engaged in property development and property leasing, as well as the provision of the property management services and management consulting services. Its shares are listed on the Main Board of the Stock Exchange (stock code: 2772).
7. It is the parent company of a group consisting of banks, capital market companies, fund management companies, a real-estate finance company, installment financing companies, research and consultancy companies and other German and non-German companies. Its shares are listed for trading and official quotation on the German stock exchanges and are listed on the New York Stock Exchange.
8. It is the holding company of a large global banking and financial services group. Its shares are listed on the London Stock Exchange.
9. It is a financial services group based in the United Kingdom providing a wide range of banking and financial services, primarily in the United Kingdom, to individual and business customers. Its shares are quoted on both the London Stock Exchange and the New York Stock Exchange.
10. It is the ultimate holding company of an international banking and financial services group particularly focused on the markets of Asia, Africa and the Middle East. Its shares are listed on the London Stock Exchange and the Stock Exchange as well as the Bombay and National Stock Exchanges in India.
11. It through its subsidiaries provides financial services to private, corporate, and institutional clients. It offers investment, retail, and corporate and institutional banking, as well as holistic wealth management planning and asset management services. It also offers securities services such as fund administration and third-party fund management. Its shares are listed on the SIX Swiss Exchange and on the New York Stock Exchange.
12. It is a banking and financial services company which provides a variety of international banking and financial services, including retail and corporate banking, trade, trusteeship, securities, custody, capital markets, treasury, private and investment banking and insurance. It has a primary share listing on the London Stock Exchange and branch listings on the Stock Exchange and Bermuda Stock Exchange. Its shares are also listed on Euronext Paris and the New York Stock Exchange.
13. It engages in a broad range of banking and financial services activities, including retail banking, deposit taking, lending and leasing, asset management, securities brokerage services, investment banking, capital markets activities and foreign exchange transactions.
14. It is set up as a dual issuer and operates as a special purpose entity and was formed for the purpose of issuing debt securities to repay existing credit facilities, refinance indebtedness, and for acquisition purposes.

The information in relation to the issuers of the Sale Debt Securities set out in Notes 2 to 14 above were based on information available from public sources as at the Latest Practicable Date upon making reasonable enquiries.

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## LETTER FROM THE BOARD

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### **Relationship between the Company and the issuers**

As at the Latest Practicable Date, the Company, through its wholly-owned subsidiaries, held a total of 860,000,000 shares issued by China Evergrande Group (Stock Code: 3333) (“**China Evergrande**”), which represents approximately 6.49% of the total number of issued shares of China Evergrande (being one of the issuers as mentioned above and the holding company of another issuer, Scenery Journey Limited as mentioned above) (based on information in China Evergrande’s Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 January 2020 published on the Stock Exchange’s website on 6 February 2020). To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, (i) Ms. Chan, Hoi-wan personally held 406,742,000 shares in China Evergrande, which represents approximately 3.07% of the total number of the issued shares of China Evergrande (based on information in China Evergrande’s Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 January 2020 published on the Stock Exchange’s website on 6 February 2020); and (ii) by aggregating the Group’s said shareholding in China Evergrande, Ms. Chan, Hoi-wan is deemed to be interested in 1,266,742,000 shares in China Evergrande in aggregate, which represents approximately 9.56% of the total number of issued shares of China Evergrande (based on information in China Evergrande’s Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 January 2020 published on the Stock Exchange’s website on 6 February 2020).

To the best of the Directors’ knowledge and information, save as disclosed above, each of the Issuers and their respective ultimate beneficial owners is an Independent Third Party.

### **D. INFORMATION OF THE GROUP, THE SELLERS AND THE PURCHASER**

#### **Information of the Group**

The Company is a company incorporated in Bermuda with limited liability and, together with its subsidiaries, are principally engaged in property investment and development, brokerage, securities investment, money lending, and cosmetics distribution and trading, and has in the ordinary and usual course of business conducted its securities investment activities for years.

#### **Information of the Sellers**

The First Seller is a company incorporated in Hong Kong with limited liability while the Second Seller and the Third Seller are companies incorporated in the BVI with limited liability, all of which are indirect wholly-owned subsidiaries of the Company and principally engaged in securities investment.

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## LETTER FROM THE BOARD

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### **Information of the Purchaser**

As at the Latest Practicable Date, an aggregate of 954,275,768 Shares were indirectly owned by Sino Omen through (a) JLLH Investments as to 230,984,820 Shares (which represents approximately 12.10% of the total number of issued Shares of the Company as at the Latest Practicable Date) and (b) Solar Bright as to 723,290,948 Shares (which represents approximately 37.92% of the total number of issued Shares of the Company as at the Latest Practicable Date). The entire issued share capital of JLLH Investments is held by Solar Bright which is in turn wholly owned by Sino Omen. The entire issued share capital of Sino Omen is held by Ms. Chan, Hoi-wan as the trustee for two of her minor children. Accordingly, Ms. Chan, Hoi-wan as the trustee of her said minor children held an aggregate of 954,275,768 Shares, which represents approximately 50.02% of the total number of issued Shares of the Company as at the Latest Practicable Date. Ms. Chan, Hoi-wan is also an executive Director, the younger sister of Ms. Chan, Sze-wan (an executive Director and the chief executive officer of the Company), the elder sister of Ms. Chan, Lok-wan (an executive Director), the step-mother of Mr. Lau, Ming-wai (a non-executive Director, the chairman of the Board and a substantial shareholder), and the sister-in-law of Ms. Amy Lau, Yuk-wai (a non-executive Director). By virtue of the above, Ms. Chan, Hoi-wan is a connected person of the Company under the Listing Rules. Ms. Chan, Hoi-wan as the Purchaser under the Disposal Agreement is acquiring the Sale Debt Securities for her own as the beneficial owner.

### **E. REASONS FOR AND BENEFITS OF THE DISPOSAL**

Securities investment is one of the principal activities of the Group which has been conducted by the Group in its ordinary and usual course of business for years. As the Sale Debt Securities held by the Sellers represents a significant and sizeable portion of the debt securities investment portfolio of the Group, the Directors believe that the Disposal provides a good opportunity for the Group to realise the investment in the Sale Debt Securities (subject to the Cap Amount) with an expected gain and in a single batch to a single purchaser which might not be available in the market. In view of the aforesaid, the Disposal Agreement provides that the Disposal could be completed in different tranches with different completion dates which would provide, among others, some flexibility to the Purchaser to arrange for financing to ensure that she would have the available cash for paying the Consideration so as to better reduce the risk of default on the part of the Purchaser in relation to her obligation to proceed with Completion, and also the flexibility for the Sellers to determine in their sole discretion the size of each tranche of the Disposal (including the types of the Sale Debt Securities) proposed by the Purchaser (which shall either be the same or a lesser principal amount and/or the same or fewer types thereof (in case more than one type of the Sale Debt Securities are specified in the Completion Notice)), which enables the Group to monitor the size of each tranche of the Sale Debt Securities to be disposed to the Purchaser after taking into consideration the then outstanding margin loans, securities investment pledged, LTV Ratio and the financial position of the Group.



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## LETTER FROM THE BOARD

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Further, through Completion by tranches, the Group may apply part of the proceeds from each tranche of the Disposal before the Final Completion Date to repay part of the margin loans, which can in turn enable the Group to better maintain a satisfactory LTV Ratio so as to facilitate fulfilment of the Conditions (other than obtaining the Independent Shareholders' Approval) for the purpose of proceeding with Completion of all the Sale Debt Securities by or before the Final Completion Date. Such arrangements of Completion in tranches and providing the Purchaser and the Sellers with some flexibility to cater to their respective positions of financial resources and LTV Ratio are the result of arm's length negotiations between the parties to the Disposal Agreement after taking into account the size of the Sale Debt Securities under the Disposal, the definite time limit for the Final Completion, the expected gain which the Group may be able to achieve by realising its investment in the Sale Debt Securities based on the pricing mechanism under the Disposal Agreement, and the minimum guaranteed basis for determining the Consideration at 100% of the principal amount of the relevant Sale Debt Securities in case the highest prevailing market bid price of the same is below 100% of the principal amount, and are considered by the Board to be fair and reasonable and the terms of the Disposal as contemplated under the Disposal Agreement overall are in the interest of the Company and the Shareholders as a whole.

Further, according to the size of securities investment disposed of in the previous 12-month period by the Group and the size of the Sale Debt Securities to be disposed to the Purchaser, it is expected that the Group's further disposal of securities investment to Independent Third Party purchasers in the near future would require prior approval from the Shareholders under the applicable Listing Rules. If sell orders of the Sale Debt Securities were placed by the Group to independent financial institutions or Independent Third Party purchasers in a piecemeal manner over different dates, each such disposal may require a separate approval from the Shareholders. Hence the entering into the Disposal Agreement would facilitate the Group in disposing the Sale Debt Securities with a one-off approval from the Independent Shareholders. The proceeds from the Disposal would be partly utilised as repayment of margin loan and partly as working capital of the Group, and the Disposal may improve the cash position of the Group, enabling the Group to capture any future investment opportunities available in the market.

The total Consideration for the Disposal shall be determined based on the higher of (i) 100% of the Proposed Principal Amount for Sale Debt Securities; and (ii) the prevailing Market Bid Price for each individual Sale Debt Securities. In view of the above and the completion logistics of the Disposal under the Disposal Agreement being similar to disposal of debt securities in the over-the-counter market, the Board considers that the terms of the Disposal as contemplated under the Disposal Agreement are on normal commercial terms, in the ordinary and usual course of business of the Group, and are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

## LETTER FROM THE BOARD

In addition, as a result of arm's length negotiation, the parties to the Disposal Agreement have agreed that the aggregate transaction amount of the Disposal shall be subject to the Cap Amount of HK\$8,000 million. The Cap Amount represents the upper limit of transaction value under the Disposal Agreement to provide some commercial certainty to the Purchaser given that the Consideration shall be determined based on the higher of (i) 100% of the Proposed Principal Amount for Sale Debt Securities; and (ii) the prevailing Market Bid Price for each individual Sale Debt Securities, the latter being unknown as at the date of the Disposal Agreement. Assuming Completion is to take place in respect of all Sale Debt Securities and the determination of the Consideration (besides the notional interests) is based on the higher of (i) 100% of the Proposed Principal Amount for Sale Debt Securities; and (ii) the prevailing Market Bid Price determined based on the bid price of 23 January 2020, the total Consideration (taking into account maximum estimated amount of notional interests) in respect of all Sale Debt Securities is estimated to be approximately US\$933.8 million (equivalent to approximately HK\$7,269.8 million), and the Cap Amount of HK\$8,000 million represents approximately 10% in excess of the aforesaid estimated total Consideration. As the Cap Amount represents a buffer of approximately 10% as compared to the estimated total Consideration as of 23 January 2020 (after taking into account the maximum amount of notional interests), and in view of the significant scale of the Disposal, the Board is of the view that the Cap Amount is fair and reasonable.

### F. FINANCIAL EFFECTS OF THE DISPOSAL

According to the unaudited combined management accounts of the Sellers for the nine months ended 30 September 2019, and taking into account the acquisition costs of the Sale Debt Securities acquired after 30 September 2019, the carrying amount of the Sale Debt Securities in aggregate was approximately HK\$6,486,721,000. According to the unaudited combined management accounts of the Sellers for the year ended 31 December 2019, the carrying amount of the Sale Debt Securities in aggregate was approximately HK\$6,795,658,000.

The net profit (loss) (both before and after tax) attributable to the Sale Debt Securities in aggregate (for those debt securities held by the Sellers at the relevant point of time) for the three financial years ended 31 December 2017, 2018 and 2019 are as follows:

	<b>For the year ended 31 December 2017</b> <i>(does not include the Sale Debt Securities acquired by the Group after 31 December 2017)</i> (unaudited) <i>HK\$'000</i>	<b>For the year ended 31 December 2018</b> <i>(does not include the Sale Debt Securities acquired by the Group after 31 December 2018)</i> (unaudited) <i>HK\$'000</i>	<b>For the year ended 31 December 2019</b> (unaudited) <i>HK\$'000</i>
Interest income	255,263	425,618	523,149
Unrealised gain (loss) arising from fair value change	254,141	(871,237)	795,458
Profit (loss) before tax	432,075	(583,448)	1,125,913
Profit (loss) after tax	407,213	(608,437)	1,079,979

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## LETTER FROM THE BOARD

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According to the Group's accounting policy, the Group will record fair value change of the Sale Debt Securities in profit or loss and/or reserve prior to Completion, which represents the difference between the Consideration (without taking into account the notional interests) and the carrying amount of the Sale Debt Securities as at 31 December 2019. Assuming Completion is to take place in respect of all the Sale Debt Securities and the determination of the Consideration (without taking into account the notional interests) is based on the higher of (i) 100% of the Proposed Principal Amount for Sale Debt Securities and (ii) the prevailing Market Bid Price is determined based on the bid price of 23 January 2020, it is expected that an estimated gain of approximately HK\$195.1 million in aggregate will be recorded as fair value change of the Sale Debt Securities in profit or loss and/or reserve prior to the Completion, subject to audit. The actual gain on completion of the Disposal might be different given that the above estimate is based on the bid price of the Sale Debt Securities as at 23 January 2020 which might be different from those on the Completion Date(s).

The Group expects that the effect on earnings will approximate to the interest income, which will no longer be contributed to the Group after completion of the Disposal. In order to maintain satisfactory LTV Ratio upon Completion, the level of borrowings of the Group shall be reduced after completion of the Disposal. As explained above, it is estimated that gain of approximately HK\$195.1 million in aggregate will be recorded as fair value change of the Sale Debt Securities in profit or loss and/or reserve prior to the Completion and estimated transaction costs of approximately HK\$3.0 million will be recorded as expenses (subject to audit), the consolidated net asset value of the Group will increase accordingly. It is also expected that the Group's total assets will decrease by approximately HK\$4,826.5 million while total liabilities will decrease by approximately HK\$5,018.6 million following the Completion.

Apart from the Sale Debt Securities, as at the date of the Disposal Agreement, the Group still held certain same type of debt securities issued by the same issuers as some of the Sale Debt Securities, in other words, and not all the principal amounts of such debt securities are to be disposed to the Purchaser under the Disposal Agreement. The types and principal amounts of the Sale Debt Securities being the subject matter of the Disposal are the result of arm's length negotiation between the Sellers and the Purchaser. For those same type of debt securities held by the Group which are not the subject of the Disposal, the Group intends to hold them for long term investment and/or trading by disposing to other third parties when the appropriate opportunities arise.

### **G. USE OF PROCEEDS**

Assuming Completion is to take place in respect of all the Sale Debt Securities and the determination of the Consideration is based on 100% of the principal amount of the Sale Debt Securities which is the minimum price at which the Sale Debt Securities are to be disposed of to the Purchaser pursuant to the Disposal Agreement, without taking into account the notional interests (where applicable) accrued thereon which shall form part of the Consideration to be paid by the Purchaser to the Sellers at Completion, it is estimated that the net proceeds from the Disposal would be not less than approximately HK\$6,540,135,000 in aggregate (without taking into account the notional interests) after deducting the estimated transaction costs related to the Disposal. It is intended that not more than 80% of the net proceeds of the Group from the Disposal will be used for repayment of outstanding margin loan and the remainder of the net proceeds will be used as general working capital.

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## LETTER FROM THE BOARD

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### **H. LISTING RULES IMPLICATION**

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal by reference to the Cap Amount exceed 25% but are less than 75%, accordingly, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the Purchaser, namely, Ms. Chan, Hoi-wan is an executive Director and indirectly held an aggregate of approximately 50.02% of the total issued share capital of the Company as at the Latest Practicable Date as a trustee of the substantial shareholders (who are two of her minor children), Ms. Chan, Hoi-wan is a connected person of the Company. Accordingly, the Disposal also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is therefore subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **I. THE INDEPENDENT FINANCIAL ADVISER AND THE INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee comprising all the 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 on the terms of the Disposal as contemplated under the Disposal Agreement.

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 on the terms of the Disposal as contemplated under the Disposal Agreement.

### **J. SGM**

The Company will convene the SGM at The Air, L16, The ONE, 100 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Monday, 23 March 2020 at 10:00 a.m. to consider the Disposal Agreement and the Disposal. 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-2 of this circular.

Any Shareholder with a material interest in the Disposal and his/her/its associate(s) are required to abstain from voting on the resolution approving the Disposal Agreement and the Disposal in accordance with the Listing Rules.

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## LETTER FROM THE BOARD

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Further, pursuant to the Stock Exchange Undertaking, the Company has undertaken to the Stock Exchange that it will not enter into Specified Transaction 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 12 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 Ms. Chan, Hoi-wan is an executive Director and a trustee of the substantial shareholders (who are two of her minor children), Ms. Chan, Hoi-wan is a Related Party for the purpose of the Stock Exchange Undertaking. The Disposal will therefore constitute a Specified Transaction 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. In view of the above requirements of the Listing Rules and the Stock Exchange Undertaking, any Shareholder with a material interest in the Disposal and his/her/its associate(s) and/or any Related Party are required to abstain from voting on the resolution approving the Disposal Agreement and the Disposal. Accordingly, Ms. Chan, Hoi-wan and her associates and relatives (to avoid any actual or potential conflict of interest), being interested in an aggregate of 1,498,072,593 Shares, representing approximately 78.53% of the total issued share capital of the Company as at the Latest Practicable Date, shall abstain from voting on the resolution(s) to be proposed at the SGM to approve the Disposal Agreement and the Disposal. Any vote exercised by the Independent Shareholders at the SGM shall be taken by poll.

As Ms. Chan, Hoi-wan, being the Purchaser, has a material interest in the Disposal, she has abstained from voting on the Board resolutions approving the Disposal Agreement and the Disposal. In order to avoid any actual or potential conflict of interest, each of Ms. Chan, Sze-wan, Ms. Chan, Lok-wan, Mr. Lau, Ming-wai and Ms. Amy Lau, Yuk-wai, being an associate or a relative of Ms. Chan, Hoi-wan, (if present at the relevant meeting) had abstained from voting on the Board resolutions approving the Disposal Agreement and the Disposal contemplated thereunder notwithstanding that none of them has a material interest in the Disposal Agreement and the Disposal. Save as disclosed above, no other Directors abstained from voting on the Board resolutions approving the Disposal Agreement and the Disposal.

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.

In order to facilitate the prevention and control of the epidemic and to safeguard the health and safety of the Shareholders, the Company encourages that the Shareholders to consider appointing the chairman of the SGM as his/her proxy to vote on the relevant resolution at the SGM, instead of attending the SGM in person.

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## LETTER FROM THE BOARD

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### K. 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 Disposal Agreement and the Disposal as well as the principal factors and reasons considered by it in arriving at such advice set out on pages IFA-1 to IFA-14 of this circular.

The Board (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) considers that the terms of the Disposal as contemplated under the Disposal Agreement are on normal commercial terms, in the ordinary and usual course of business of the Group, and are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board (including the independent non-executive Directors) recommends the Independent Shareholders to vote in favour of the resolution approving the Disposal Agreement and the Disposal at the SGM.

### L. GENERAL

**Shareholders and potential investors of the Company should note that the completion of the transactions under the Disposal Agreement is subject to the satisfaction of the Conditions, namely, the obtaining of the Independent Shareholders' Approval at the SGM. Therefore, the Disposal may or may not proceed. Even if the Disposal does proceed, it may or may not proceed with completion of all the Sale Debt Securities. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the 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.**

### M. 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*

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# LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*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)**

28 February 2020

*To the Independent Shareholders*

Dear Sir or Madam,

### MAJOR AND CONNECTED TRANSACTION

#### DISPOSAL OF SALE DEBT SECURITIES

We refer to the circular issued by the Company to its Shareholders dated 28 February 2020 (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.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal by reference to the Cap Amount exceed 25% but are less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

As the Purchaser, namely, Ms. Chan, Hoi-wan is an executive Director and indirectly held an aggregate of approximately 50.02% of the total issued share capital of the Company as at the Latest Practicable Date as a trustee of the substantial shareholders (who are two of her minor children), Ms. Chan, Hoi-wan is a connected person of the Company. Accordingly, the Disposal also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is therefore subject to the reporting, announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

We have been appointed by the Board to consider the terms of the Disposal as contemplated under the Disposal Agreement and to advise the Independent Shareholders in connection therewith and as to whether, in our opinion, the terms of the Disposal as contemplated under the Disposal Agreement are reasonable, and whether the Disposal as contemplated under the Disposal Agreement 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 Independent Financial Adviser to advise us in this respect.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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 the Disposal as contemplated under the Disposal Agreement are fair and reasonable, and the Disposal as contemplated under the Disposal Agreement are on normal commercial terms, in the ordinary and usual course of business of the Group. In view of the above, we consider that the Disposal as contemplated under the Disposal Agreement 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 approving the Disposal Agreement and the Disposal 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*



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# LETTER FROM GRAM CAPITAL

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*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 Disposal for the purpose of inclusion in this circular.*



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

28 February 2020

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

Dear Sir/Madam,

## **MAJOR AND CONNECTED TRANSACTION DISPOSAL OF SALE DEBT SECURITIES**

### **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 Disposal, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 28 February 2020 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 29 January 2020, after trading hours, the Sellers entered into the Disposal Agreement with the Purchaser in relation to the sale and purchase of the Sale Debt Securities at the Consideration which shall be determined based on the higher of (i) 100% of the Proposed Principal Amount for Sale Debt Securities; and (ii) the prevailing Market Bid Price for each individual Sale Debt Securities. The aggregate transaction amount of the Disposal shall be subject to the Cap Amount equals to HK\$8,000 million. Completion of the Disposal Agreement is conditional upon, among others, the Independent Shareholders’ Approval having been obtained. Pursuant to the terms and conditions of the Disposal Agreement, Completion may take place in tranches.

With reference to the Board Letter, the Disposal constitutes a major transaction and a connected transaction for the Company under Chapters 14 and 14A of the Listing Rules respectively. Accordingly, the Disposal is subject to the reporting, announcement, circular and independent shareholders’ approval requirements under the Listing Rules.

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## LETTER FROM GRAM CAPITAL

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The Independent Board Committee comprising Mr. Chan, Kwok-wai, Ms. Phillis Loh, Lai-ping and Mr. Ma, Tsz-chun, being all of the independent non-executive Directors, has been formed to advise the Independent Shareholders on (i) whether the terms of the Disposal are fair and reasonable; (ii) whether the Disposal is on normal commercial terms, conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the Disposal 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 is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Disposal. We consider that we have taken sufficient and necessary steps (including review of the Group's financial information for each of the two years ended 31 December 2017 and 2018 and the six months ended 30 June 2019, review of the Disposal Agreement, review of the Cap Amount calculation and discussion with the Company's management) on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules. Details of our steps taken and analysis are set out in this letter.

The Circular, for which the Directors collectively and individually accept full responsibility, includes 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 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 herein 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, the Sellers, the Purchaser 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 Disposal. 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.

# LETTER FROM GRAM CAPITAL

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 Disposal, we have taken into consideration the following principal factors and reasons:

### 1. Background of and reasons for the Disposal

#### *Information on the Group*

The Company is a company incorporated in Bermuda with limited liability and, together with its subsidiaries, are principally engaged in property investment and development, brokerage, securities investment, money lending, and cosmetics distribution and trading, and has in the ordinary and usual course of business conducted its securities investment activities for years.

Set out below is a summary of the consolidated financial information of the Group for each of the two years ended 31 December 2017 and 2018 as extracted from the Company's annual report for the year ended 31 December 2018 (the "2018 Annual Report") and the six months ended 30 June 2019 as extracted from the Company's interim report for the six months ended 30 June 2019 (the "2019 Interim Report"):

	For the six months ended 30 June 2019 <i>HK\$'000</i> <i>(unaudited)</i>	For the year ended 31 December 2018 <i>HK\$'000</i> <i>(audited)</i>	For the year ended 31 December 2017 <i>HK\$'000</i> <i>(audited)</i>	Change from 2017 to 2018 %
Revenue	269,865	843,618	1,516,655	(44.38)
– Property development and trading	<i>Nil</i>	273,989	990,106	(72.33)
– Property leasing (retail and non-retail)	261,762	544,533	505,743	7.67
– Listed equity investments at fair value through other comprehensive income ("FVTOCI")	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>	<i>N/A</i>
– Listed investments and treasury products at fair value through profit or loss ("FVTPL")	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>	<i>N/A</i>
– Unlisted investments, investment holding and brokerage	3,060	14,073	10,516	33.82
– All other segments	5,043	11,023	10,290	7.12
Gross profit	255,077	719,111	969,842	(25.85)
Profit for the period/year attributable to the owners of the Company	844,917	1,015,290	3,708,886	(72.63)

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## LETTER FROM GRAM CAPITAL

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The Group has six reportable segments, namely, (i) property development and trading; (ii) property leasing for retail; (iii) property leasing for non-retail; (iv) listed equity investments at FVTOCI; (v) listed investments and treasury products at FVTPL; and (vi) unlisted investments, investment holding and brokerage.

As depicted from the above table, the Group's revenue amounted to approximately HK\$843.6 million for the year ended 31 December 2018 ("FY2018"), representing a decrease of approximately 44.38% as compared to that for the year ended 31 December 2017 ("FY2017"). With reference to the 2018 Annual Report, such decrease in the Group's revenue was mainly due to decrease in sales of trading properties despite of increase in gross rental income. The Group's profit attributable to the owners of the Company for FY2018 amounted to approximately HK\$1,015.3 million, representing a decrease of approximately 72.63% as compared to that for FY2017. With reference to the 2018 Annual Report, such decrease was mainly due to (i) no imputed interest income from deferred consideration receivables was recognised for FY2018; (ii) no gain on disposal of subsidiary was recorded for FY2018; (iii) decrease in profit from listed securities investments and treasury products; (iv) decrease in gain on fair value changes of investment properties; and (v) decrease in attributable property sales profit.

With reference to the 2019 Interim Report, securities investments is one of the principal activities of the Group. As at 30 June 2019, the Group's portfolio of listed securities investments and treasury products of approximately HK\$27,260.4 million comprised:

- (a) bonds (presented as financial assets measured at FVTPL) of approximately HK\$8,426.4 million; and
- (b) listed equity investment (presented as financial assets measured at FVTOCI) of approximately HK\$18,834.0 million.

With reference to the 2019 Interim Report, the Group's strategy is to maintain securities investment portfolio for treasury management. The Group's primary objectives when managing capital are to safeguard the abilities of the entities in the Group to continue as a going concern, so that it can continue to provide returns for shareholders of the Company. The Group's strategy for future investments is to invest in a diversified portfolio to minimise risks with attractive yield, good liquidity and issuers from reputable entities, so as to maintain a healthy financial status and grasp every good investment chance. The Group will continue to closely monitor its portfolio of securities investments to achieve satisfactory returns.

### ***Information on the Sellers***

With reference to the Board Letter, the First Seller is a company incorporated in Hong Kong with limited liability while the Second Seller and the Third Seller are companies incorporated in the BVI with limited liability, all of which are indirect wholly-owned subsidiaries of the Company and principally engaged in securities investment.

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## LETTER FROM GRAM CAPITAL

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### *Information on the Purchaser*

With reference to the Board Letter, Ms. Chan, Hoi-wan as the trustee of her two minor children holds an aggregate of approximately 50.02% of the total number of issued Shares as at the Latest Practicable Date. Ms. Chan, Hoi-wan is also an executive Director, the younger sister of Ms. Chan, Sze-wan (an executive Director and the chief executive officer of the Company), the elder sister of Ms. Chan, Lok-wan (an executive Director), the step-mother of Mr. Lau, Ming-wai (a non-executive Director, the chairman of the Board and a substantial shareholder), and the sister-in-law of Ms. Amy Lau, Yuk-wai (a non-executive Director). By virtue of the above, Ms. Chan, Hoi-wan is a connected person of the Company under the Listing Rules.

### *Reasons for and benefits of the Disposal and use of proceeds*

With reference to the Board Letter, securities investment is one of the principal activities of the Group which has been conducted by the Group in its ordinary and usual course of business for years. As the Sale Debt Securities held by the Sellers represents a significant and sizeable portion of the debt securities investment portfolio of the Group, the Directors believe that the Disposal provides a good opportunity for the Group to realise the investment in the Sale Debt Securities (subject to the Cap Amount) with an expected gain and in a single batch to a single purchaser which might not be available in the market. In view of the aforesaid, the Disposal Agreement provides that the Disposal could be completed in different tranches with different completion dates which would provide, among others, some flexibility to the Purchaser to arrange for financing to ensure that she would have the available cash for paying the Consideration so as to better reduce the risk of default on the part of the Purchaser in relation to her obligation to proceed with Completion, and also the flexibility for the Sellers to determine in their sole discretion the size of each tranche of the Disposal (including the types of the Sale Debt Securities) proposed by the Purchaser (which shall either be the same or a lesser principal amount and/or the same or fewer types thereof (in case more than one type of the Sale Debt Securities are specified in the Completion Notice)), which enables the Group to monitor the size of each tranche of the Sale Debt Securities to be disposed to the Purchaser after taking into consideration the then outstanding margin loans, securities investment pledged, LTV Ratio and the financial position of the Group.

Further, through Completion by tranches, the Group may apply part of the proceeds from each tranche of the Disposal before the Final Completion Date to repay part of the margin loans, which can in turn enable the Group to better maintain a satisfactory LTV Ratio so as to facilitate fulfilment of the Conditions (other than obtaining the Independent Shareholders' Approval) for the purpose of proceeding with Completion of all the Sale Debt Securities by or before the Final Completion Date. Such arrangements of Completion in tranches and providing the Purchaser and the Sellers with some flexibility to cater to their respective positions of financial resources and LTV Ratio are the result of arm's length negotiations between the parties to the Disposal Agreement after taking into account the size of the Sale Debt Securities under the Disposal, the definite time limit for the Final Completion, the expected gain which the Group may be able to achieve by realising its investment in the Sale Debt Securities based on the pricing mechanism under the Disposal Agreement, and the minimum guaranteed basis for determining the Consideration at 100% of the principal amount of the relevant Sale Debt Securities in case the highest prevailing market bid price of the same is below 100% of the principal amount, and are considered by the Board to be fair and reasonable and the terms of the Disposal as contemplated under the Disposal Agreement overall are in the interest of the Company and the Shareholders as a whole.

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## LETTER FROM GRAM CAPITAL

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Having considered that:

- (i) The prices of the Sale Debt Securities may fluctuate, the timing of price up and down and future market conditions are uncertain when the Disposal Agreement was entered and not predictable before events have actually taken place;
- (ii) Whether the fluctuations or the timing the Purchaser chooses to serve the Completion Notice is solely to her advantage can only be seen on a hindsight after the events have actually occurred as the price movements of the Sale Debt Securities subsequent to the Completion is uncertain to both the Purchaser and the relevant Sellers at the time when the Purchaser serves the Completion Notice;
- (iii) It is not uncommon for Hong Kong listed companies entering into framework agreement for sale of products without fixed prices stated under relevant framework agreement (the prices will be determined according to the Hong Kong listed companies' pricing policies and may fluctuate from time to time), which constitutes continuing connected transaction;
- (iv) The Purchaser requires time to arrange for financing to ensure that she would have the available cash for paying the Consideration; and
- (v) The Group could monitor the size of each tranche of the Sale Debt Securities to be disposed to the Purchaser after taking into consideration the then outstanding margin loans, securities investment pledged, LTV Ratio and the financial position of the Group,

we are of the view that it is justifiable for the Disposal to be completed in different tranches with different completion dates to provide flexibility to the Purchaser and the Sellers and such terms are on normal commercial term, fair and reasonable.

Further, according to the size of securities investment disposed of in the previous 12-month period by the Group and the size of the Sale Debt Securities to be disposed to the Purchaser, it is expected that the Group's further disposal of securities investment to Independent Third Party purchasers in the near future would require prior approval from the Shareholders under the applicable Listing Rules. If sell orders of the Sale Debt Securities were placed by the Group to independent financial institutions or Independent Third Party purchasers in a piecemeal manner over different dates, each such disposal would require a separate approval from the Shareholders. Hence the entering into the Disposal Agreement may facilitate the Group in disposing the Sale Debt Securities with a one-off approval from the Independent Shareholders. The proceeds from the Disposal would be partly utilised as repayment of margin loan (not more than 80%) and the remainder as working capital of the Group, and the Disposal may improve the cash position of the Group, enabling the Group to capture any future investment opportunities available in the market.

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## LETTER FROM GRAM CAPITAL

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We noted from the 2018 Annual Report and the 2019 Interim Report (as the case may be) that:

- (i) the Group's portfolio of listed securities investments and treasury products of approximately HK\$27,260.4 million as at 30 June 2019 included bonds (presented as financial assets measured at FVTPL) of approximately HK\$8,426.4 million;
- (ii) the Group disposed/redeemed bonds of approximately HK\$5,381.0 million during FY2018 and approximately HK\$1,533.3 million during the six months ended 30 June 2019;
- (iii) the Group's margin loans utilised to finance the securities investments in both non-current and current assets amounted to approximately HK\$7,917.2 million as at 30 June 2019;
- (iv) the Group's cash and cash equivalents was approximately HK\$818.0 million as at 30 June 2019; and
- (v) the net increase in the Group's cash and cash equivalents was approximately HK\$36.1 million during FY2018 and approximately HK\$214.1 million during the six months ended 30 June 2019.

Having considered the reasons and benefits of the Disposal as set out above, in particular, that:

- (i) securities investment is one of the principal activities of the Group;
- (ii) the Disposal provides a good opportunity for the Group to realise the investment in the Sale Debt Securities in a single batch (subject to the Cap Amount) to a single purchaser which might not be available in the market;
- (iii) the Disposal Agreement provides that the Disposal could be completed in different tranches with different completion dates which would provide, among others, some flexibility to the Purchaser to arrange for financing to ensure that she would have the available cash for paying the Consideration, and also the flexibility for the Sellers to determine in their sole discretion the size of each tranche of the Disposal (including the types of the Sale Debt Securities) proposed by the Purchaser (which we consider to be justifiable as aforementioned);
- (iv) the entering into the Disposal Agreement would facilitate the Group in disposing the Sale Debt Securities with a one-off approval from the Independent Shareholders; and
- (v) the Disposal may improve the cash position of the Group, enabling the Group to capture any future investment opportunities available in the market,

we concur with the Directors that the Disposal is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

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# LETTER FROM GRAM CAPITAL

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## 2. Principal terms of the Disposal Agreement

### *Date*

29 January 2020

### *Parties*

- (a) Chase Master Company Limited as the First Seller;
- (b) Lucky Way Company Ltd. as the Second Seller;
- (c) City Gateway Limited as the Third Seller; and
- (d) Ms. Chan, Hoi-wan as the Purchaser.

### *Subject matter*

Pursuant to the Disposal Agreement, each of the Sellers has agreed to sell, and the Purchaser has agreed to purchase, the Sale Debt Securities free from all encumbrances with effect from Completion and with all rights attached thereto including the right to receive all interest attached thereto payable on or after Completion subject to the terms and conditions of the Disposal Agreement. The aggregate transaction amount of the Disposal shall be subject to the Cap Amount of HK\$8,000 million.

It is contemplated under the Disposal Agreement that the Disposal may be completed in tranches subject to the Conditions being satisfied or waived, as the case may be, with respect to the relevant Sale Debt Securities.

### *Consideration*

The Consideration shall be payable by the Purchaser in full in cash upon Completion, and the Consideration for the sale and purchase of the relevant Sale Debt Securities shall be determined as follows:

$$\text{Consideration} = A + B$$

where:

A = an amount representing 100% or the Market Bid Price of the Proposed Principal Amount for Sale Debt Securities, whichever is higher; and

B = the total amount of notional interest on the Proposed Principal Amount for Sale Debt Securities calculated at the coupon rate per annum on the Proposed Principal Amount for Sale Debt Securities based on the actual number of days elapsed accruing on a daily basis since and including the Last Interest Payment Date up to but excluding the Completion Date subject to the coupon frequency and date count as specified in the terms and conditions of the relevant Sale Debt Securities.



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## LETTER FROM GRAM CAPITAL

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Based on 100% of the principal amount of the Sale Debt Securities which is the minimum aggregate Consideration at which the Sale Debt Securities are to be disposed of to the Purchaser pursuant to the Disposal Agreement, without taking into account any notional interests (where applicable) to be accrued on the Sale Debt Securities which shall form part of the Consideration to be paid by the Purchaser to the Sellers at Completion, it is estimated that the total Consideration for the Disposal of all the Sale Debt Securities would be not less than US\$840,415,000 (equivalent to approximately HK\$6,543,135,000) in aggregate.

For the purpose of obtaining the Market Bid Price, the relevant Seller will approach a selection of reputable financial institutions which provide debt securities trading services (but without limitation to) such as which the Group has opened securities trading accounts and established a business relationship, and are among a limited number of private banks or commercial banks with branches in Hong Kong serving multinational customers and providing a comprehensive range of wealth management services including debt capital trading market support services and liquidity to their clients (the “**Financial Institutions**”). As at the Latest Practicable Date, there are six Financial Institutions in the pool of selection of the Group which fulfil the aforesaid criteria.

From the Group’s experience in debt securities trading, normally the Financial Institutions would revert to the Group with a bid price within the same day after they have received a request for bid price from the Group. Although technically there is possibility that a Financial Institution does not revert to the Group with a bid price within the same day, it cannot be precluded as that is beyond the control of the Group, in which event the relevant Seller may negotiate with the Purchaser to agree on another date for the relevant Seller to obtain the Market Bid Price.

Based on the experience and industry knowledge of the management of the Group from the Group’s ordinary and usual course of securities trading activity including trading of debt securities, the debt market is a large market with a large number of participants including financial institutions and other individual and corporate investors and the trading market of debt securities is rather active, and the Company believes, from its past experience, that it is the usual practice of financial institutions to revert with a price quote within the same day so as to grasp the opportunity and maintain their competitiveness given that their clients such as the Group may be approaching multiple Financial Institutions for the purpose of trading and obtaining price quotes. The Sellers will use their best endeavours to seek bid prices from their selection of the Financial Institutions by approaching all the aforesaid selected Financial Institutions for each tranche of the Sale Debt Securities in order to obtain not less than three bid prices for comparison for determining the Market Bid Price.

In the situation where the relevant Seller requires the Purchaser to consummate Completion for the last tranche of the Sale Debt Securities in the absence of Completion Notice given by the Purchaser, the relevant Seller will retain the flexibility of choosing a date on which the relevant Seller will obtain the Market Bid Price for the purpose of determining the Consideration for Completion. Notwithstanding that, given that the Long Stop Date shall be a date falling on the fifth business day preceding the Final Completion Date (i.e., 23 December 2020), in practice such date for obtaining the Market Bid Price would be a date within a short span of time immediately after the fifth business day preceding the Long Stop Date and not later than 29 December 2020, given that Completion shall take place on the second business day after the date of the relevant Completion Reply Notice and the Final Completion shall occur no later than 31 December 2020.

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## LETTER FROM GRAM CAPITAL

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The Market Bid Price is determined by the highest bid price from not less than three different Financial Institutions to be obtained by the Sellers (or the highest bid price in less than three bid prices could be obtained), which ensures that the Market Bid Price is the highest possible bid price which the relevant Seller is able to dispose of the Sale Debt Securities in the market. Such practice is in line with the Group's practice in its ordinary and usual course of securities trading activity when the Group disposes of its debt securities on the market through independent Financial Institutions where the Group normally has to make investment decisions in a prompt manner in response to market conditions which may change rapidly so as to capture appropriate opportunities arise on the market. Coupled with the fact that there is a definite time limit for the Final Completion, namely, 31 December 2020, pursuant to the Disposal Agreement by which the parties should use their best endeavours to complete the sale and purchase of the Sale Debt Securities so as to give effect to the Disposal to the greatest extent within the Cap Amount, the Board is of the view that such price discovery mechanism for the Disposal is in line with the market practice and is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

For our due diligence purpose, we obtained an exhaustive list of the Group's debt securities disposal in the over-the-counter market in 2019 and randomly selected a disposal in each month of 2019 (except for February 2019 when no debt securities disposal was conducted) from the list (the "Samples") (i.e. 11 Samples selected in total). The Group provided us a set of record on each of the Samples (the "Disposal Records"). As our sampling is on a random selection basis which cover all months in 2019 (except for February 2019) and based on the exhaustive list of the Group's debt securities disposal in the over-the-counter market in 2019, we consider the Samples selected to be fair and representative. We also interviewed the responsible personnel of the Group's investment department in this regard.

Based on the Disposal Records and our interview with the responsible personnel of the Group's investment department, we understand that when the Group disposed debt securities in the over-the-counter market, the responsible Director(s) (i) obtained at least three bid prices through at least three of the Financial Institutions which were selected by the responsible Director(s) with the same basis for the purpose of obtaining the Market Bid Price (the Financial Institutions reverted with bid prices within the same day after they have received request for bid price); (ii) decided to accept the highest price available; and (iii) informed the Group's investment department to proceed with such disposal at the accepted price. The Group also received accrued interest for such disposals.

According to an article published by the International Monetary Fund in December 2018, "Unlike exchanges, over-the-counter markets have never been a "place". They are less formal, although often well-organised, networks of trading relationships centered around one or more dealers. Dealers act as market makers by quoting prices at which they will sell (ask or offer) or buy (bid) to other dealers and to their clients or customers". We understand that when investors dispose debt securities in the over-the-counter market, the investors need to obtain bid price(s) through financial institutions.

We also interviewed the responsible personnel of one of the Financial Institutions which is sizeable and globally reputable. Based on the interview, we understand that (i) when the Financial Institution's client intends to dispose debt securities in the over-the-counter market, the client requests the Financial Institution for bid price; and (ii) the Financial Institution reverts with bid price within the same day after it has received such request under normal circumstances.

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## LETTER FROM GRAM CAPITAL

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Although we have no knowledge on the number of financial institutions which investors may request for bid prices when they dispose debt securities in the over-the-counter market, we notice that, under the Samples, when the Group disposed debt securities in the over-the-counter market, the responsible Director(s) obtained at least three bid prices through at least three of the Financial Institutions which were selected by the responsible Director(s) with the same basis for the purpose of obtaining the Market Bid Price.

In light of the above, we consider that the mechanism for obtaining the Market Bid Price is basically the same as the price discovery mechanism when the Group/investors dispose(s) debt securities in the over-the-counter market.

In addition, having considered:

- (i) the response time of Financial Institutions for reverting debt securities bid prices as mentioned above;
- (ii) that although technically there is possibility that a Financial Institution does not revert to the Seller(s) with a bid price within the same day, the relevant Seller may negotiate with the Purchaser to agree on another date for the relevant Seller to obtain the Market Bid Price;
- (iii) our due diligence work as mentioned above,

we consider that there is sufficient time allowed for the Sellers to obtain the Market Bid Price under the Consideration provision of the Disposal Agreement.

As aforementioned, component A of the Consideration is an amount representing 100% or the Market Bid Price of the Proposed Principal Amount for Sale Debt Securities, whichever is higher. The Market Bid Price is defined as “in relation to the relevant Sale Debt Securities, a price representing the highest of not less than three bid prices obtained by the relevant Seller through independent financial institution(s) on the next business day after its receipt of the Completion Notice (or such other date as may be agreed between the relevant Seller and the Purchaser pursuant to the Disposal Agreement), or in the event that less than three bid prices could be obtained, the highest of bid price(s) obtained”.

Having considered the above and that:

- (i) the pricing basis of the Consideration is similar to the Group’s debt securities disposal in the over-the-counter market, with 100% of the Proposed Principal Amount for Sale Debt Securities as minimum;
- (ii) the mechanism for obtaining the Market Bid Price is basically the same as the price discovery mechanism when the Group/investors dispose(s) debt securities in the over-the-counter market (in particular, under the Samples, when the Group disposed debt securities in the over-the-counter market, the responsible Director(s) obtained at least three bid prices through at least three of the Financial Institutions which were selected by the responsible Director(s) with the same basis for the purpose of obtaining the Market Bid Price);

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## LETTER FROM GRAM CAPITAL

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- (iii) the Financial Institutions to be approached for the purpose of obtaining the Market Bid Price are reputable financial institutions serving multinational customers; and
- (iv) there is sufficient time allowed for the Sellers to obtain the Market Bid Price under the Consideration provision of the Disposal Agreement,

we are of the view that the Consideration (including the price discovery mechanism) are on normal commercial terms, fair and reasonable.

### ***Principal amount of the relevant Sale Debt Securities for Completion***

For the purpose of fulfilling the Condition of maintaining the LTV Ratio to which the Group (including the Seller) is subject to pursuant to the margin loan facilities made available to the Group (including the Seller) upon completion of the Disposal of relevant Sale Debt Securities, the relevant Seller may at its sole and absolute discretion adjust the principal amount and/or the types (in case more than one type of the Sale Debt Securities are specified in the Completion Notice) of the relevant Sale Debt Securities for Completion to an amount less than the principal amount and/or to fewer types of the relevant Sale Debt Securities as specified in the Completion Notice given by the Purchaser.

Accordingly, the Sellers have greater flexibility to proceed with the Disposal.

### ***Completion***

Completion of the Disposal shall take place on the Completion Date on which 100% of the Consideration as stated in the relevant Completion Reply Notice shall be paid by the Purchaser to the relevant Seller in full and in cash, against such settlement of the Consideration in full by the Purchaser, the relevant Sale Debt Securities in their respective principal amount(s) as stated in the Completion Reply Notice shall be transferred to the Purchaser in accordance with the logistics for Completion as agreed in the Disposal Agreement.

Upon our enquiry, the Directors advised that when the Group disposes debt securities in the over-the-counter market, the Group also receives cash against settlement of the consideration in full for such disposal. Accordingly, we consider that the payment terms are on normal commercial terms and fair and reasonable.

### ***Cap Amount***

The aggregate transaction amount of the Disposal shall be subject to the Cap Amount equal to HK\$8,000 million and any relevant Seller may in its sole and absolute discretion reduce the relevant principal amount(s) (including the type(s)) of the Sale Debt Securities as specified in the Completion Notice so that the Proposed Principal Amount for Sale Debt Securities for the relevant tranche would not result in the Cap Amount being exceeded. The Cap Amount of HK\$8,000 million represents approximately 10% in excess of the estimated total Consideration as of 23 January 2020 taking into account the maximum amount of notional interests.

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## LETTER FROM GRAM CAPITAL

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With reference to the Board Letter, the Cap Amount represents the upper limit of transaction value under the Disposal Agreement to provide some commercial certainty to the Purchaser given that the Consideration shall be determined based on the higher of (i) 100% of the Proposed Principal Amount for Sale Debt Securities; and (ii) the prevailing Market Bid Price for each individual Sale Debt Securities, the latter being unknown as at the date of the Disposal Agreement. Assuming Completion is to take place in respect of all Sale Debt Securities and the determination of the Consideration (besides the notional interests) is based on the higher of (i) 100% of the Proposed Principal Amount for Sale Debt Securities; and (ii) the prevailing Market Bid Price determined based on the bid price of 23 January 2020, the total Consideration (taking into account maximum estimated amount of notional interests) in respect of all Sale Debt Securities is estimated to be approximately US\$933.8 million (equivalent to approximately HK\$7,269.8 million), and the Cap Amount of HK\$8,000 million represents approximately 10% in excess (the “**Buffer**”) of the aforesaid estimated total Consideration.

For our due diligence purpose, we obtained the calculation of the Cap Amount from the Company and noted that such calculation is consistent with the aforesaid basis of the Cap Amount determination (i.e. it summed up (i) 100% or the prevailing Market Bid Price (determined based on the bid prices of 23 January 2020) (whichever is higher) of the Proposed Principal Amount for Sale Debt Securities; and (ii) the maximum amount of notional interests of the Sale Debt Securities; and incorporated the Buffer of approximately 10%).

Upon our enquiry, the Directors advised that the Buffer of approximately 10% was determined to cater for possible increase of the Sale Debt Securities prices. We noted from the data published by S&P Dow Jones Indices (a global provider of financial market indices) that:

- (i) S&P 500® Financials Corporate Bond Index increased by approximately 11.94% for the period from 2 January 2019 to 31 December 2019;
- (ii) S&P China Corporate Bond Index increased by approximately 3.25% for the period from 2 January 2019 to 31 December 2019; and
- (iii) S&P Hong Kong Corporate Bond Index increased by approximately 2.92% for the period from 2 January 2019 to 31 December 2019.

Based on the above, we consider the Buffer of approximately 10% to be sufficient to cater for possible increase of the Sale Debt Securities prices.

In addition, we noted that it is not uncommon for Hong Kong listed companies to adopt a 10% buffer when determining annual cap for continuing connected transactions.

Given the above, we consider the Cap Amount to be fair and reasonable.

Other terms of the Disposal Agreement are set out under the section headed “B. THE DISPOSAL AGREEMENT” of the Board Letter.

Having considered the principal terms of the Disposal Agreement as highlighted above, we consider that the terms of the Disposal are fair and reasonable.

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## LETTER FROM GRAM CAPITAL

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### 3. Possible financial effects of the Disposal

With reference to the Board Letter, assuming Completion is to take place in respect of all the Sale Debt Securities and the determination of the Consideration (without taking into account the notional interests) is based on the higher of (i) 100% of the Proposed Principal Amount for Sale Debt Securities; and (ii) the prevailing Market Bid Price is determined based on the bid price of 23 January 2020, it is expected that an estimated gain of approximately HK\$195.1 million in aggregate will be recorded as fair value change of the Sale Debt Securities in profit or loss and/or reserve prior to the Completion, subject to audit.

Please refer to the section headed “F. FINANCIAL EFFECTS OF THE DISPOSAL” of the Board Letter for further details of the financial effects of the Disposal.

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.

### RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Disposal are fair and reasonable; (ii) the Disposal is on normal commercial terms, conducted in the ordinary and usual course of business of the Group and 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 to be proposed at the SGM to approve the Disposal Agreement and the Disposal, and we recommend the Independent Shareholders to vote in favour of the resolution 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 2016, 2017 and 2018 and the six months ended 30 June 2019 are disclosed in the annual reports of the Company for each of the three years ended 31 December 2016, 2017 and 2018 and the interim report of the Company for the six months ended 30 June 2019, respectively. These annual reports and interim report are published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.chineseestates.com>):

- (a) annual report of the Company for the year ended 31 December 2016 published on 20 April 2017 (pages 91–263);
- (b) annual report of the Company for the year ended 31 December 2017 published on 17 April 2018 (pages 96–256);
- (c) annual report of the Company for the year ended 31 December 2018 published on 18 April 2019 (pages 91–253); and
- (d) interim report of the Company for the six months ended 30 June 2019 published on 18 September 2019 (pages 3–44).

## 2. INDEBTEDNESS STATEMENT

### Borrowings

As at the close of business on 31 December 2019, being the latest practicable date for the purpose of this indebtedness prior to the printing of this circular, the Group had outstanding borrowings as follows:

	<b>31 December 2019</b> <i>HK\$'000</i>
Secured bank loans	6,313,894
Other secured loans	7,128,365
Amounts due to associates	212,419
Amounts due to investee companies	368,563
Amounts due to non-controlling shareholders	<u>333</u>
	<u><u>14,023,574</u></u>

The bank loans and the other loans were secured by the Group's investment properties, bonds, listed equity investments measured at fair value through other comprehensive income, pledged deposits and interests in certain subsidiaries of the Company.

**Lease liabilities**

The Group recognised right-of-use assets and corresponding lease liabilities in respect of all leases unless they qualify for low value or short-term leases. The lease liabilities represent obligation to make lease payment for right of using underlying assets. As at 31 December 2019, the Group had lease liabilities of approximately HK\$132,054,000 which were secured by rental deposits and unguaranteed.

**Guarantees**

As at 31 December 2019, the Group provided financial guarantees and indemnity, details are shown as follows:

	<b>31 December 2019</b> <i>HK\$'000</i>
Guarantee given to a bank in respect of banking facilities in lieu of the cash public utility deposit jointly utilised by subsidiaries	15,000
Guarantee given to a bank in respect of a banking facility utilised by an investee company/indemnity given to a third party in relation to an investee company	613,830
Guarantee given to a bank in respect of a banking facility utilised by a joint venture	<u>90,000</u>
	<u><u>718,830</u></u>

Save as aforesaid and apart from normal trade payables in the ordinary course of the business of the Group, as at the close of business on 31 December 2019, the Group did not have any (i) debt securities of the Group issued and outstanding, and authorised or otherwise created but unissued, and term loans, distinguishing between guaranteed, unguaranteed, secured (whether the security is provided by the issuer or by third parties) and unsecured; (ii) other borrowings or indebtedness in the nature of borrowing of the Group including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, distinguishing between guaranteed, unguaranteed, secured and unsecured borrowings and debt (iii) any outstanding mortgages and charges; or (iv) any material contingent liabilities or guarantees.



**3. MATERIAL ADVERSE CHANGE**

The Directors confirm that they are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, being the date on which the latest published audited financial statements of the Group for the year ended 31 December 2018 was made up to, except:

- i. as disclosed in the voluntary announcement of the Company published on 3 January 2020 in respect of realised and unrealised gain/loss on securities investments, based on the preliminary assessment on the closing market price of the shares of China Evergrande as at 31 December 2019, it is expected that an unrealised loss on fair value change of approximately HK\$1.6 billion would be recorded as other comprehensive expense for the year ended 31 December 2019;
- ii. as disclosed in the discloseable transaction announcement of the Company published on 10 January 2020 in respect of the acquisition of the remaining 49% interest in Landrich (H.K.) Limited which holds Tsuen Wan Town Lot No.128 situated at Nos.14–18 Ma Kok Street, Tsuen Wan, New Territories, Hong Kong and the building erected thereon, a deposit of HK\$150 million has been paid by the Group on 10 January 2020. Consideration is to be calculated in accordance with the sale and purchase agreement dated 10 January 2020 and subject to a maximum amount of HK\$360 million. Balance of the consideration (after deducting the aforesaid deposit (without interest)) will be paid by the Group upon completion which is expected to take place on 28 February 2020. After such payments, it is expected that the Group will record a decrease in working capital;
- iii. as disclosed in the interim report for the six months ended 30 June 2019 of the Company published on 18 September 2019, the Group recorded a substantial decrease of 51.8% in revenue for the six months ended 30 June 2019 as compared to corresponding period in 2018;
- iv. the anchor tenant of a major property of the Group located in London will be moved out in the first quarter of 2020, and a replacement tenant is not anticipated before a study of office design and planning is completed. Accordingly, it is expected that the Group's rental revenue and net rental income from investment properties in the United Kingdom for the year ending 31 December 2020 will be materially reduced; and
- v. the payment of the interim dividend of approximately HK\$19.1 million on 27 August 2019, which had reduced the working capital, total assets and net assets of the Group when compared to those as at 31 December 2018.

**4. WORKING CAPITAL**

The Directors are of the opinion that, after taking into account the Group's internal resources, cash flow from operations, the present facilities available and also the effect of the Disposal, the Group will have sufficient working capital to satisfy its present requirements, that is, for at least the next 12 months from the date of this circular in the absence of unforeseen circumstances.

**5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

The global economic outlook had turned optimistic in face of the signing of the Phase One Deal on the United States-China trade war, which affects not just the two countries, but most global economies. While the road ahead to the end point of the trade war is likely to be more challenging, it was at least been a positive sign for the market sentiments. Nonetheless, the markets are now faced with a new challenge – novel coronavirus, which has been spreading across many parts of the world speedily during the Chinese New Year. In the short term, it is inevitable that global markets will be hit hard.

The Hong Kong Economy has been hammered badly from protests and demonstrations that have taken place since mid-2019, with the first budget deficit in 15 years forthcoming. Coupled with the recent outbreak of the novel coronavirus and various measures including travel restrictions and new border control measures implemented by the PRC government and the Hong Kong government to prevent the spread of the novel coronavirus, local retail consumption and tourist arrivals are already experiencing significant downward. It is therefore expected that a longer time would be required for our investment properties to be fully healed.

After over three years of uncertainty, the United Kingdom has officially left the European Union finally. While there will likely be hard negotiations between the United Kingdom and European Union on various trade and other arrangements over the next 11-month transition period, and hence market turbulence in the meantime is not unexpected, the official departure of the United Kingdom from the European Union has undoubtedly cleared the most significant uncertainty in investments in the United Kingdom. Since the Group has a long-term view for the United Kingdom, we are optimistic that her economy will be on the upside in the long run. The Group will continue to leverage on our expertise and experience in enhancing the values of our properties in the United Kingdom through asset enhancement works to take benefit of the expected economic upswing, albeit a short-term rental income plunge will occur as during the asset enhancement works.

Securities investment is one of the principal activities of the Group which has been conducted by the Group in its ordinary and usual course of business for years and the Disposal is part of the Group's securities investment activity, which the Directors believe is a good opportunity for the Group to realise the investment in the Sale Debt Securities. In the short term, the stock markets are bound to be affected by the latest developments on the novel coronavirus situations, and hence likely to be volatile.

Looking ahead, the Group will continue to be watchful and cautious with our investment decisions. While there are positive signs as regards the long-dragged United States – China Trade War and Brexit, there are new challenges, especially locally in Hong Kong. We believe that our continuous watchful and cautious approach in looking for quality investments will benefit shareholders' value as a whole.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes 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. DIRECTORS' INTERESTS

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 the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the “**Model Code**”), to be notified to the Company and the Stock Exchange were as follows:

### Long Positions

#### (i) *The Company*

Name of Director(s)	Number of Shares Held	Notes	Capacity	Percentage of Issued Share Capital
Mr. Lau, Ming-wai	1,430,700,768	*	Founder and beneficiary of trust and other	74.99%
Ms. Chan, Hoi-wan	1,430,700,768	#	Interest in controlled corporation, trustee, interest of children under 18 and other	74.99%

#### Notes:

\* Mr. Lau, Ming-wai was deemed to be interested in 1,430,700,768 Shares in aggregate. 476,425,000 Shares were directly owned by Century Frontier Limited, which was wholly owned by Alto Trust Limited as trustee of a discretionary trust of which Mr. Lau, Ming-wai is the founder and a beneficiary. Mr. Lau, Ming-wai was also deemed to be interested in the 954,275,768 Shares indirectly held by Ms. Chan, Hoi-wan as the trustee for her minor children Lau, Chung-hok and Lau, Sau-wah by virtue of the right of first refusal granted to Century Frontier Limited for those 954,275,768 Shares.

# Ms. Chan, Hoi-wan was deemed to be interested in 1,430,700,768 Shares in aggregate. 954,275,768 Shares were indirectly owned by Sino Omen, the entire issued share capital of which was held by Ms. Chan, Hoi-wan as trustee for her minor children Lau, Chung-hok and Lau, Sau-wah. Ms. Chan, Hoi-wan was also deemed to be interested in the 476,425,000 Shares indirectly held by Alto Trust Limited as trustee of a discretionary trust of which Mr. Lau, Ming-wai is the founder and a beneficiary by virtue of the right of first refusal granted to Sino Omen, Solar Bright and JLLH Investments for those 476,425,000 Shares.

(ii) *Associated corporations of the Company*

Name of Director(s)	Name of associated corporations	Number of Share(s) Held	Note	Capacity	Percentage of Issued Share Capital
Ms. Chan, Hoi-wan	Sino Omen	1,000	*	Trustee and interest of children under 18	100%
Ms. Chan, Hoi-wan	Solar Bright	1	*	Interest in controlled corporation, trustee and interest of children under 18	100%

*Note:*

- \* Ms. Chan, Hoi-wan (as the trustee for her minor children Lau, Chung-hok and Lau, Sau-wah) directly held the entire issued share capital of Sino Omen. Sino Omen directly held the entire issued share capital of Solar Bright. Therefore, Ms. Chan, Hoi-wan as the trustee for her said minor children was also regarded as interested in the entire issued share capital of Solar Bright.

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 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 the Model Code, to be notified to the Company and the Stock Exchange.

Each of Ms. Chan, Sze-wan and Ms. Chan, Hoi-wan is a director of Sino Omen, Solar Bright and JLLH Investments (substantial shareholders of the Company within the meaning of Part XV of the SFO); and Mr. Lau, Ming-wai is a director of Century Frontier Limited (a substantial shareholder of the Company within the meaning of Part XV of the SFO). 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**

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

**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 expiring or 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 into by the Company and/or members of the Group and are or may be material:

- (a) the agreement dated 28 February 2019 entered into between Chinese Estates, Limited (“CEL”) (a direct wholly-owned subsidiary of the Company) as tenant and Windsor House Limited (“WHL”) (a company at that time indirectly owned by (i) Ms. Chan, Hoi-wan (an executive Director and a trustee of the substantial shareholders of the Company (who are two of her minor children)), both in her capacity as a trustee of her minor children and in her own capacity; (ii) Mr. Lau, Ming-wai (a non-executive Director, the chairman of the Board and a substantial shareholder of the Company); and (iii) a family trust of Mr. Joseph Lau, Luen-hung (the spouse of Ms. Chan, Hoi-wan)) as landlord in relation to the leasing of the whole of 17th floor of Chubb Tower, Windsor House at a monthly rate of HK\$1,025,000 and for a term of three years as disclosed in the announcement of the Company dated 28 February 2019;
- (b) the agreement for lease dated 28 February 2019 entered into between CEL as tenant and WHL as landlord in relation to the leasing of the whole of 19th floor, the whole of 20th floor and the whole of 21st floor of Chubb Tower, Windsor House at an aggregate monthly rental of HK\$3,184,000 and for a term of three years as disclosed in the announcement of the Company dated 28 February 2019;
- (c) the placement and subscription agreement dated 15 November 2019 entered into between Chase Master Company Limited (an indirect wholly-owned subsidiary of the Company) as the subscriber, Zhongliang Holdings Group Company Limited as the issuer, Heng Rong Co., Limited, Zhongliang Hongkong Property Investment Group Co., Limited, Zhongliang International Development Company Limited and Ample Sino Investments Limited as the subsidiary guarantors and the UBS AG Hong Kong Branch, UBS AG as the placing agent relating to the subscription of the US\$100,000,000 9.75% senior notes due 2020 at the issue price of US\$98,287,000 (equivalent to approximately HK\$770,305,000), representing 98.287% of the principal amount of the notes as disclosed in the announcement of the Company dated 26 November 2019; and
- (d) the sale and purchase agreement dated 10 January 2020 entered into between Mr. Tang Shing Bor (an Independent Third Party to the Company) and Current Sino Limited (an indirect wholly-owned subsidiary of the Company) in respect of the sale and purchase of 49% of the equity interest in Landrich (H.K.) Limited and interests in entire sum owing by Landrich (H.K.) Limited to Full Profit Trading Limited as disclosed in the announcement of the Company dated 10 January 2020. Completion of such agreement is expected to take place on 28 February 2020.

**6. INTEREST IN ASSETS OR CONTRACTS**

- (a) Save for the agreements disclosed in (a) and (b) under the paragraph headed “Material Contracts” in this appendix and the Disposal Agreement, as at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which have since 31 December 2018, being the date to which the latest audited financial statements of the Company for the year ended 31 December 2018 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) Save for the agreements disclosed in (a) and (b) under the paragraph headed “Material Contracts” in this appendix and the Disposal Agreement, as at the Latest Practicable Date, 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. DIRECTOR’S INTERESTS IN COMPETING BUSINESSES**

As at the Latest Practicable Date, Ms. Chan, Sze-wan, Ms. Chan, Hoi-wan and Mr. Lau, Ming-wai (whether directly or indirectly through their respective close associates) had personal/directorship interests in private companies engaged in property investment businesses and securities investment businesses. As such, they were regarded as being interested in such businesses which competed or might compete with the Group. Save as disclosed above, as at the Latest Practicable Date, to the best knowledge and belief of the Directors after having made all reasonable enquiries, none of the Directors and their respective close associates were considered to have any interests in businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group.

**8. MISCELLANEOUS**

- (a) The registered office of the Company is at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda and its principal place of business in Hong Kong is at 26th Floor, China Evergrande Centre, 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 EXPERT**

The following is the qualification of the expert who has given its opinions or advice which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
Gram Capital Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, the above mentioned expert:

- (a) did not have any shareholding, directly or indirectly, in any member of the Group or 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 2018, being the date to which the latest published audited financial statements of the Company for the year ended 31 December 2018 were made up;
- (c) had given and had 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; and
- (d) the letter from Gram Capital is prepared for incorporation in this circular.

**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, China Evergrande Centre, 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 2016, 2017 and 2018;
- (c) the interim report of the Company for the six months ended 30 June 2019;
- (d) the material contracts as referred to in the paragraph headed “Material Contracts” in this appendix;
- (e) the Disposal Agreement;

- (f) 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;
- (g) 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;
- (h) the written consent of Gram Capital as referred to in the paragraph headed “Qualification and Consent of Expert” in this appendix; and
- (i) this circular.



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# NOTICE OF THE SGM

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## CHINESE ESTATES HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 127)**

### NOTICE OF THE 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 The Air, L16, The ONE, 100 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Monday, 23 March 2020 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 the disposal agreement dated 29 January 2020 entered into among Chase Master Company Limited, Lucky Way Company Ltd., City Gateway Limited and Ms. Chan, Hoi-wan relating to, among others, the sale and purchase of the debt securities (the “**Disposal Agreement**”) (a copy of the Disposal Agreement has been produced to the Meeting marked “A” and signed by the chairman of the Meeting for the purpose of identification) 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, 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, implement and/or complete all matters in connection with the transactions contemplated under the Disposal Agreement and to waive compliance from or make and agree such variations of a non-material nature to any of the terms of the Disposal Agreement, as he/she may in his/her absolute discretion consider to be desirable and in the interest 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, 28 February 2020

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## NOTICE OF THE SGM

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*Registered office:*  
Victoria Place, 5th Floor  
31 Victoria Street  
Hamilton HM 10  
Bermuda

*Principal office in Hong Kong:*  
26th Floor  
China Evergrande Centre  
38 Gloucester Road  
Wanchai  
Hong Kong

*Notes:*

1. For the purpose of ascertaining the members' eligibility to attend and vote at the Meeting, the register of members will be closed during the period from 18 March 2020 to 23 March 2020 (both days inclusive). To be eligible to attend and vote at the Meeting, all properly completed share transfers documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch registrar and transfer office in Hong Kong, namely Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 17 March 2020 at 4:30 p.m..
2. Any shareholder of the Company (the "Shareholder(s)") entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and to vote instead of him. A proxy need not be a Shareholder.
3. 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 notorially 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).
4. Delivery of an instrument appointing a proxy should not preclude a Shareholder 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.
5. In the case of joint holders of share(s), any one of such joint holders may vote, either in person or by proxy, in respect of such share(s) 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.
6. The resolution as set out in this notice will be taken by poll at the Meeting.
7. In order to facilitate the prevention and control of the epidemic and to safeguard the health and safety of the Shareholders, the Company encourages that the Shareholders to consider appointing the chairman of the Meeting as his/her proxy to vote on the relevant resolution at the Meeting, instead of attending the Meeting in person.
8. As at the date hereof, the board of directors of the Company comprised Ms. Chan, Sze-wan, Ms. Chan, Hoi-wan, Ms. Chan, Lok-wan and Mr. Lam, Kwong-wai as Executive Directors, Mr. Lau, Ming-wai and Ms. Amy Lau, Yuk-wai as Non-executive Directors, and Mr. Chan, Kwok-wai, Ms. Phillis Loh, Lai-ping and Mr. Ma, Tsz-chun as Independent Non-executive Directors.