

15th May, 2007

Notice to the holders of



Chinese Estates Holdings Limited

(incorporated in Bermuda with limited liability)

HK\$1,810,000,000

Zero Coupon Convertible Bonds

Due 2010

(the “Company” and the “Bonds” respectively)

ISIN: XS0215013441

Reference is made to the terms and conditions of the Bonds (the “Terms”). Unless otherwise defined, all capitalized terms used in this notice shall have the same meanings as defined in the Terms.

Holders of the Bonds are hereby notified that the Annual General Meeting of the Company was held on 15th May, 2007 at which the shareholders of the Company voted in favour of, amongst other things, the recommended payment of a final dividend of HK18 cents per share for the year ended 31st December, 2006 and that the scrip dividend alternative announced by the Company on 14th March, 2007 whereby shareholders may elect to receive their Final Dividend wholly or partly by the allotment of new shares of the Company credited as fully paid in lieu of cash was confirmed by the board of directors of the Company immediately thereafter.

Pursuant to Condition 6(c)(3) of the Terms, the payment of such dividend will result in an adjustment of the Conversion Price (as defined in the Terms).

The Conversion Price before the adjustment is HK\$6.97 per ordinary share. The Conversion Price shall be adjusted to HK\$6.86 per ordinary share. The adjustment shall take effect as from 15th May, 2007, being the record date for the determination of shareholders of the Company to be entitled to receive the said dividend.