
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



CHINESE ESTATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 127)

**MAJOR TRANSACTION
MANDATE FOR DISPOSAL(S) OF LISTED SECURITIES
IN CHINA EVERGRANDE GROUP**

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 6 to 21 of this circular.

The Company has obtained written Shareholders’ approval for the Disposal Mandate and the Possible Disposal(s) contemplated thereunder pursuant to Rule 14.44 of the Listing Rules from Solar Bright, JLLH Investments and Century Frontier who form a closely allied group of Shareholders and together hold more than 50% of the issued Shares giving the right to attend and vote at a general meeting. Accordingly, no Shareholders’ meeting will be held to approve the Disposal Mandate and the Possible Disposal(s) contemplated thereunder pursuant to Rule 14.44 of the Listing Rules. This circular is being despatched to the Shareholders for information only.

24 November 2021

TABLE OF CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	6
1. INTRODUCTION	6
2. THE DISPOSAL MANDATE	8
3. INFORMATION OF CHINA EVERGRANDE GROUP, THE EVERGRANDE SHARES, THE PREVIOUS DISPOSAL SHARES AND THE MANDATE SHARES	13
4. INFORMATION OF THE GROUP	14
5. REASONS FOR AND BENEFITS OF THE PREVIOUS DISPOSAL, THE DISPOSAL UNDER THE DISPOSAL MANDATE UP TO THE LPD, THE REMAINING POSSIBLE DISPOSAL(S) AND THE DISPOSAL MANDATE	15
6. FINANCIAL EFFECT OF THE REMAINING POSSIBLE DISPOSAL(S) (IN AGGREGATION WITH THE PREVIOUS DISPOSAL AND THE DISPOSAL UNDER THE DISPOSAL MANDATE UP TO THE LPD) AND USE OF PROCEEDS	18
7. LISTING RULES IMPLICATIONS	19
8. TAKEOVERS CODE IMPLICATIONS	20
9. RECOMMENDATION	20
10. GENERAL	21
11. ADDITIONAL INFORMATION	21
APPENDIX I – FINANCIAL INFORMATION OF THE GROUP	I-1
APPENDIX II – GENERAL INFORMATION	II-1

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 23 September 2021 in respect of the Disposal Mandate and the Possible Disposal(s) contemplated thereunder;
“associate(s)”	has the meaning as defined in the Listing Rules;
“Board”	the board of Directors;
“BVI”	the British Virgin Islands;
“Century Frontier”	Century Frontier Limited, a company incorporated in the BVI with limited liability, directly wholly-owned by Solar Bright, and being one of the Relevant Shareholders directly held 476,425,000 Shares, representing approximately 24.97% of the issued share capital of the Company as at the Latest Practicable Date;
“China Evergrande Group”	China Evergrande Group (Stock Code: 3333), an exempted company incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of the Stock Exchange;
“close associate(s)”	has the meaning as defined in the Listing Rules;
“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;
“connected person(s)”	has the meaning as defined in the Listing Rules;
“Director(s)”	director(s) of the Company;
“Disposal Mandate”	a mandate granted by the Shareholders to the Directors to dispose of all or part of the Mandate Shares on-market or through block trade(s) during the Mandate Period in accordance with the terms and conditions set out under the paragraph headed “2. The Disposal Mandate – Terms and conditions of the Disposal Mandate” in the section headed “Letter from the Board” in this circular;
“Disposal under the Disposal Mandate up to the LPD”	an aggregate of 437,878,000 Mandate Shares had been disposed of by the Group pursuant to the Disposal Mandate up to the Latest Practicable Date;

DEFINITIONS

“Evergrande Shares”	the 860,000,000 issued shares of China Evergrande Group acquired by the Group in its securities investment and legally and beneficially held by the Group as at 30 June 2021 and immediately before the Previous Disposal;
“Expected Aggregated Realised Loss from China Evergrande Group Disposal”	has the meaning ascribed to it in the paragraph headed “6. Financial Effect of the Remaining Possible Disposal(s) (in aggregation with the Previous Disposal and the Disposal under the Disposal Mandate up to the LPD) and Use of Proceeds” in the section headed “Letter from the Board” in this circular;
“Expected Realised Loss from China Evergrande Group Disposal”	has the meaning ascribed to it in the paragraph headed “6. Financial Effect of the Remaining Possible Disposal(s) (in aggregation with the Previous Disposal and the Disposal under the Disposal Mandate up to the LPD) and Use of Proceeds” in the section headed “Letter from the Board” in this circular;
“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 Third Party(ies)”	person(s) or company(ies) which is/are third party(ies) independent of the Company and its connected person(s) (as defined under the Listing Rules);
“JLLH Investments”	Joseph Lau Luen Hung Investments Limited, a company incorporated in the BVI with limited liability, directly wholly-owned by Solar Bright, and being one of the Relevant Shareholders, directly held 230,984,820 Shares, representing approximately 12.11% of the issued share capital of the Company as at the Latest Practicable Date;
“Joint Announcement”	the joint announcement dated 6 October 2021 published by Solar Bright and the Company in relation to the Proposal;
“Latest Practicable Date” or “LPD”	19 November 2021, 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;

DEFINITIONS

“Mandate Period”	the validity period of the Disposal Mandate, being a period of 12 months commencing from the date of passing of the relevant resolution(s) by the Relevant Shareholders in the form of a written Shareholders’ approval (i.e., 23 September 2021) and ending on 22 September 2022;
“Mandate Share(s)”	the 751,091,000 Evergrande Shares legally and beneficially held by the Group as at the date of grant of the Disposal Mandate by written shareholders’ approval from the Relevant Shareholders as detailed in the paragraph headed “7. Listing Rules Implications” in the section headed “Letter from the Board” in this circular, and disposed of and proposed to be disposed of by the Group pursuant to the Disposal Mandate;
“Minimum Selling Price”	HK\$0.01 per Mandate Share (excluding transaction cost);
“Ms. HW Chan”	Ms. Chan, Hoi-wan, an executive Director, the chief executive officer and a trustee of the substantial shareholders of the Company (who are her minor children) as at the Latest Practicable Date;
“percentage ratio(s)”	has the meaning as defined in the Listing Rules;
“Possible Disposal(s)”	the proposed disposal(s) of all or part of the Mandate Shares under the Disposal Mandate;
“PRC”	the People’s Republic of China;
“Previous Disposal”	the disposal of the Previous Disposal Shares by the Group through a series of disposals made during the period from 30 August 2021 to 21 September 2021 (both dates inclusive) at an average price of approximately HK\$2.26 per share;
“Previous Disposal Shares”	the 108,909,000 Evergrande Shares disposed of by the Group under the Previous Disposal;
“Proposal”	the proposal for the privatisation of the Company by Solar Bright as the offeror by way of a scheme of arrangement, the details of which are set out in the Scheme Document;
“Relevant Shareholders”	collectively, Century Frontier, JLLH Investments and Solar Bright, which together are beneficially interested in 1,430,700,768 Shares, representing approximately 74.99% of the issued share capital of the Company as at the Latest Practicable Date;

DEFINITIONS

“Remaining Mandate Shares”	313,213,000 Mandate Shares remained to be held by the Group as at the Latest Practicable Date;
“Remaining Possible Disposal(s)”	the proposed disposal(s) of the Remaining Mandate Shares under the Disposal Mandate;
“RMB”	Renminbi, the lawful currency of the PRC;
“Scheme Document”	the composite scheme document jointly issued by Solar Bright as the offeror and the Company as the offeree company dated 24 November 2021 in relation to the Proposal;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“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. HW Chan as the trustee for her minor children, and the holding company of Solar Bright, 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, and being one of the Relevant Shareholders directly held 723,290,948 Shares, representing approximately 37.91% of the issued share capital of the Company, and the holding company of Century Frontier and JLLH Investments, as at the Latest Practicable Date;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“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 as defined in the Listing Rules;
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers;

DEFINITIONS

“US\$” United States dollar, the lawful currency of the United States of America; and

“%” per cent.

For the purpose of this circular, the conversion of RMB into HK\$ is based on the exchange rate of RMB1 to HK\$1.2046 for illustration purpose only.

LETTER FROM THE BOARD



CHINESE ESTATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 127)

Executive Directors:

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

Non-executive Directors:

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

Independent Non-executive Directors:

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

Registered office:

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

Principal office in Hong Kong:

21st Floor, Chubb Tower
Windsor House
311 Gloucester Road
Causeway Bay
Hong Kong

24 November 2021

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION MANDATE FOR DISPOSAL(S) OF LISTED SECURITIES IN CHINA EVERGRANDE GROUP

1. INTRODUCTION

Reference is made to the Announcement.

On 23 September 2021, the Company has sought the written approval of the Relevant Shareholders, in lieu of a general meeting pursuant to Rule 14.44 of the Listing Rules for the grant of the Disposal Mandate to the Directors to dispose of, during the Mandate Period, all or part of the 751,091,000 Mandate Shares held by the Group as at 23 September 2021 (before trading hours).

LETTER FROM THE BOARD

During the period from 30 August 2021 to 21 September 2021 (both dates inclusive), the Group disposed of an aggregate of 108,909,000 Previous Disposal Shares (representing approximately 0.82% of the issued share capital of China Evergrande Group as at 31 October 2021 (calculated based on the total number of issued shares of China Evergrande Group as at 31 October 2021 as disclosed in its monthly return dated 4 November 2021)) in the open market of the Stock Exchange for an aggregate consideration of approximately HK\$246.5 million (exclusive of transaction costs). The average selling price per Previous Disposal Share was approximately HK\$2.26 (exclusive of transaction costs). On 23 September 2021, the Relevant Shareholders gave their written approval for the grant of the Disposal Mandate to the Directors to dispose of, during the Mandate Period, all or part of the 751,091,000 Mandate Shares held by the Group as at 23 September 2021 (before trading hours).

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal Mandate and the Possible Disposal(s) contemplated thereunder, when aggregated with the Previous Disposal, exceeds 25% but is not more than 75%, the Disposal Mandate and the Possible Disposal(s) contemplated thereunder therefore constituted a major transaction for the Company under Chapter 14 of the Listing Rules and was subject to the reporting, announcement, circular and shareholders' approval requirements under the Listing Rules.

The shareholders' approval requirement has been fulfilled by way of the written approval of the Relevant Shareholders who form a closely allied group of Shareholders and together hold more than 50% of the issued Shares giving the right to attend and vote at a general meeting. Accordingly, no Shareholders' meeting will be held to approve the Disposal Mandate and the Possible Disposal(s) contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

The purpose of this circular is to provide you with, among other things, further information on the Disposal Mandate and the Possible Disposal(s) contemplated thereunder and other information as required to be contained in this circular under the Listing Rules.

LETTER FROM THE BOARD

2. THE DISPOSAL MANDATE

Terms and conditions of the Disposal Mandate

On 23 September 2021, the Relevant Shareholders gave their written approval for the grant of the Disposal Mandate to the Directors to dispose of, during the Mandate Period, all or part of the 751,091,000 Mandate Shares held by the Group as at 23 September 2021 (before trading hours). The Mandate Shares represent approximately 5.67% of the issued share capital of China Evergrande Group as at 31 October 2021 (calculated on the above basis). The Group intends to proceed with the Possible Disposal(s) so as to realise its securities investment in accordance with the terms and conditions of the Disposal Mandate as follows:

(a) Maximum number of the Mandate Shares to be disposed

The Group will, depending on the prevailing market conditions, dispose of up to 751,091,000 Mandate Shares on-market or through block trade(s) in one or series of transactions from time to time during the Mandate Period.

(b) The Mandate Period

The Disposal Mandate will be valid for a period of 12 months commencing from the date of obtaining the relevant written approval from the Relevant Shareholders (i.e., 23 September 2021) and ending on 22 September 2022.

(c) Manner of the Possible Disposal(s)

The relevant designated Directors shall be authorised and empowered to determine, decide, execute and implement with full discretion all matters relating to the Possible Disposal(s), including but not limited to the number of tranches of disposals, the number of the Mandate Shares to be sold in each disposal, the timing of each disposal and whether by way of sale in the open market on the Stock Exchange or through block trade(s) by entering into placing agreements or arrangements with reputable investment banks as placing agents to Independent Third Party(ies). Accordingly, the Company was not and will not be aware of the identities of the purchasers and potential purchasers of the Mandate Shares and to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the purchasers and their respective ultimate beneficial owners (where applicable) in the Possible Disposal(s) (including those which had been conducted pursuant to the Disposal Mandate up to the Latest Practicable Date) were and will be Independent Third Party(ies). As at the Latest Practicable Date and to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Company was not aware of receiving any indication from any potential purchaser of the intention to purchase any of the Remaining Mandate Shares from the Group.

LETTER FROM THE BOARD

(d) Selling price of the Mandate Shares

The selling price of the Mandate Shares in the open market on the Stock Exchange will be the market price of the Mandate Shares at the relevant times and for any disposal through block trade(s), the terms and conditions of the sale would be negotiated on an arm's length basis with reference to the prevailing market price of the Mandate Shares, but subject to the Minimum Selling Price.

Basis for determination of the selling price of the Mandate Shares

In formulating the mechanism for determination of the selling price and the Minimum Selling Price of the Mandate Shares under the Disposal Mandate, the Company has taken into account the factors set out below.

1. Selling price of the Mandate Shares in the open market on the Stock Exchange will be the market price of the Mandate Shares

To sell in the open market on the Stock Exchange, depending on the market conditions at the relevant times and with a goal of achieving the best available price(s) for the Possible Disposal(s), the Group may place a sell order which would be any one of the following types:

- (i) a market order to sell the Mandate Shares at the market's current best available price on the Stock Exchange, but it would not guarantee a specified price or a specified price range; or
- (ii) a limit order to sell the Mandate Shares on the Stock Exchange, that is, to set a restriction on the minimum price to sell the Mandate Shares. If the order is filled, it will only be at the specified limit price or better. However, there is no assurance of execution.

In selecting which type of orders to place, namely, a market order or a limit order, to dispose of the Mandate Shares on the Stock Exchange, the Directors will take into account the following factors:

- 1. the primary goal of setting a market order is to execute the sale immediately at whatever best available price(s) on the market. The advantage of a market order is that it could be executed very quickly because a market order is the instruction to take the best available price currently offered by the potential purchaser(s) in the trading system of the Stock Exchange;

LETTER FROM THE BOARD

2. a market order may be used when (a) the Directors believe that the market sentiment towards the shares of China Evergrande Group is relatively stable and the shares are traded in relatively high volumes such that selling by market order would not be expected to result in disposing the Mandate Shares at a price significantly lower than the market price when the Group places the market order; or (b) when the market sentiment towards the shares of China Evergrande Group is pessimistic, the market price is fast-moving and highly volatile and the Directors believe that it would be necessary and more appropriate for the Group to dispose of the Mandate Shares (or any part of it) without delay by placing a market order instead of a limit order; and
3. a limit order would allow the Group to better control the prices at which the Mandate Shares are disposed of, however, there is no guarantee that the order will be fulfilled, and in case the market price of the Mandate Shares stays at below the specified price before the validity period of the limit order is lapsed, the Group may miss the opportunity to dispose of the Mandate Shares at the relevant point in time. Thus, a limit order may be used when the Group believes that the market condition in relation to the shares of China Evergrande Group does not pose short-term concerns for the Group so that it may be appropriate to aim at selling at a specified price that is not lower than the current quote on the Stock Exchange (i.e., the last recorded trading price on the Stock Exchange).

Regardless of whether the Group disposes of the Mandate Shares by a market order or a limit order, the actual selling price at which a disposal of the Mandate Shares is conducted in the open market on the Stock Exchange would be at market price which is primarily driven by the then demand and supply of the shares of China Evergrande Group on the Stock Exchange at the relevant point in time.

2. ***For disposal through a block trade, the price of the sale would be negotiated on an arm's length basis with reference to the prevailing market price of the Mandate Shares (subject to the Minimum Selling Price)***

Disposing of the Mandate Shares through block trade means to sell a relatively large quantity of the Mandate Shares in a single transaction through investment banks which would procure independent purchaser(s) and close the deal at an agreed price between the independent purchaser and the Group as the seller, with a view to minimising the negative price impact of the market price being driven down by a sale order involving a large quantity of the Mandate Shares on the Stock Exchange such that a "best execution" price could be attained.

LETTER FROM THE BOARD

In light of the substantial amount of Mandate Shares held by the Group, it would be necessary and appropriate for the Disposal Mandate to include block trades. Under the terms of the Disposal Mandate, block trades would be conducted through reputable investment banks and the selling price would be determined through arm's length negotiations among the Group as the seller and the potential purchaser(s) through the investment banks with reference to the prevailing market price of the shares of China Evergrande Group and the amount of the Mandate Shares agreed to be purchased by the potential purchaser(s) in the relevant block trade(s), which is primarily driven by the prevailing demand and supply of the shares of China Evergrande Group at the relevant point in time.

3. *The Minimum Selling Price*

The Minimum Selling Price is HK\$0.01 per Mandate Share (excluding transaction cost).

The Directors have taken into account the following factors in determining the Minimum Selling Price, and are of the view that the basis for determining the selling price of the Mandate Shares is fair and reasonable and in the interest of the Company and the Shareholders as a whole:

- (i) the extremely high volatility of the trading prices of the shares of China Evergrande Group as evidenced by the recent plummet of its market prices, e.g., from the closing price as at 31 December 2020 of HK\$14.90 per share and the closing price as at 30 June 2021 of HK\$10.12 per share, to HK\$2.27 per share as at 21 September 2021, representing a drop of approximately 84.8% and 77.6%, respectively;
- (ii) the recent development of China Evergrande Group including certain disclosure made by China Evergrande Group on its liquidity and going concern and the possible consequences and possible material adverse change in relation to its financial and operating positions in the event that the remedial measures could not be effectively implemented at the time when the Disposal Mandate (including the determination of the Minimum Selling Price) was approved and granted, as set out in more detail in the paragraph headed "5. Reasons for and Benefits of the Previous Disposal, the Disposal under the Disposal Mandate up to the LPD, the Remaining Possible Disposal(s) and the Disposal Mandate" in this section headed "Letter from the Board" of this circular;
- (iii) the carrying amount of the Mandate Shares in the consolidated financial statements of the Company was determined with reference to the closing price of the shares of China Evergrande Group as at 31 December 2020 which was HK\$14.90 per share, any disposal of the Mandate Shares at a price lower than such price as at 31 December 2020 will be accounted for as a loss in other comprehensive income in the consolidated financial statements of the Company. In view of the significant drop in trading prices of the shares of China Evergrande Group as mentioned in paragraph (i) above, the Group is expected to record a loss in other comprehensive income by reference to the recent market price of the Mandate Shares, absent any unforeseeable change of circumstances as at the Latest Practicable Date;

LETTER FROM THE BOARD

- (iv) the aggregate number of 860,000,000 Evergrande Shares held by the Group as at 30 June 2021, including the aggregate of 751,091,000 Mandate Shares, were acquired by the Group at an average acquisition cost of approximately HK\$15.8 per share (including transaction costs). Accordingly, apart from the expected loss in other comprehensive income by comparing to the carrying amount of the Mandate Shares as at 31 December 2020, the Group is also likely to make a substantial loss with reference to the original acquisition cost per Mandate Share in view of the recent market price of the shares of China Evergrande Group, rather than to break even or make any gain;
- (v) in view of the above, at the time when the Disposal Mandate (including the determination of the Minimum Selling Price) was approved and granted, the Directors did not consider that by determining a relatively higher minimum selling price with a view to breaking even and/or making a gain from the Possible Disposal(s) under the Disposal Mandate would be a practicable approach against the backdrop of the Group's intention to minimise the potential losses to the Group resulting from its investment in the Evergrande Shares, instead, it was in line with the cautious investment strategy adopted by the Directors to realise the Group's investment in the Evergrande Shares in order to protect the interest of the Group by reducing the potential losses to the Group, and accordingly, the Minimum Selling Price was set for the purpose of providing the greatest flexibility to the Directors to respond quickly to any further fast-changing market conditions and economic situations of China Evergrande Group and the then market sentiments and conditions, and to dispose of the Mandate Shares in the event of any further deterioration of market sentiments and conditions or in the occurrence of any further unforeseeable and unfavourable development of China Evergrande Group taking into account of the recent material adverse change in the market sentiment towards the shares of China Evergrande Group and its financial and operation prospects as mentioned above; and
- (vi) the pricing of disposal(s) under the Disposal Mandate as detailed above are mainly determined by (a) the automatic order matching of the trading system of the Stock Exchange for disposal in the open market of the Stock Exchange to secure the market's current best available price; or (b) arm's length negotiations with reference to the prevailing market price for disposal(s) through block trade. It follows that the actual selling price of the Mandate Shares would be determined by the prevailing market price at the relevant point in time when a disposal of the Mandate Shares is being conducted, which is primarily driven by the then supply and demand of the shares of China Evergrande Group.

In light of the above, the Directors are of the view that the terms of the Disposal Mandate are fair and reasonable and, as disclosed by the Company in the Announcement and in this circular could provide sufficient information for the Shareholders to make an informed assessment and the terms of the Disposal Mandate will not result in undue risk on the Shareholders as a whole and the interests of the Company and the Shareholders are considered to have been sufficiently safeguarded under the Disposal Mandate.

LETTER FROM THE BOARD

Details of the Disposal under the Disposal Mandate up to the LPD

During the period since the commencement of the Mandate Period and up to the Latest Practicable Date, the Group had disposed of an aggregate of 437,878,000 Mandate Shares under the Disposal Mandate, details of which are summarised below:

No. of Mandate Shares disposed	Average selling price per Mandate Share (HK\$)	Highest selling price per Mandate Share (HK\$)	Lowest selling price per Mandate Share (HK\$)	Gross sale proceeds (exclusive of transaction costs) (HK\$ million)
437,878,000	2.61	3.00	2.24	1,141.0

As a result of the Disposal under the Disposal Mandate up to the LPD as set out above, the Group received an aggregate gross sale proceeds of approximately HK\$1,141.0 million (exclusive of transaction costs). As at the Latest Practicable Date, the Group continued to hold 313,213,000 Remaining Mandate Shares, representing approximately 2.36% of the issued share capital of China Evergrande Group as at 31 October 2021 (calculated based on the total number of issued shares of China Evergrande Group as at 31 October 2021 as disclosed in its monthly return dated 4 November 2021).

Consideration for the disposals of the Mandate Shares under the Disposal Mandate

Purely for illustration purpose in this circular, on the assumption that all the Remaining Mandate Shares held by the Group as at the Latest Practicable Date are to be disposed of with reference to the closing price of shares of China Evergrande Group as at the Latest Practicable Date of HK\$2.78 per Mandate Share, taking into account the gross sale proceeds of approximately HK\$1,141.0 million (exclusive of transaction costs) from the Disposal under the Disposal Mandate up to the LPD as set out above, estimated aggregate gross sale proceeds of disposals of the Mandate Shares under the Disposal Mandate would be approximately HK\$2,011.7 million.

3. INFORMATION OF CHINA EVERGRANDE GROUP, THE EVERGRANDE SHARES, THE PREVIOUS DISPOSAL SHARES AND THE MANDATE SHARES

China Evergrande Group

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, as at the Latest Practicable Date, China Evergrande Group (Stock Code: 3333) is an exempted company incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of the Stock Exchange, and China Evergrande Group together with its subsidiaries are principally engaged in, among other things, property development, property investment and property management in the PRC.

LETTER FROM THE BOARD

The Evergrande Shares, the Previous Disposal Shares and the Mandate Shares

The Evergrande Shares were purchased by the Group in 2017 and 2018 and had since then been held by the Group. As at 31 December 2018, 31 December 2019, 31 December 2020 and 30 June 2021, the Group held a total of 860,000,000 Evergrande Shares (representing the Previous Disposal Shares and the Mandate Shares), which were purchased by the Group in 2017 and 2018 with an aggregate acquisition cost of approximately HK\$13,596.0 million (including transaction costs), or average acquisition cost of approximately HK\$15.8 per share (including transaction costs). The Group had (i) during the period from 30 August 2021 to 21 September 2021 (both dates inclusive) through a series of transactions disposed of an aggregate of 108,909,000 Previous Disposal Shares at an average price of approximately HK\$2.26 per share in the open market and thereby realised a gross sale proceeds of approximately HK\$246.5 million from the Previous Disposal; and (ii) since the commencement of the Mandate Period and up to the Latest Practicable Date, through a series of transactions further disposed of an aggregate of 437,878,000 Mandate Shares, as a result of which, 313,213,000 Mandate Shares remained to be held by the Group as at the Latest Practicable Date. The Evergrande Shares (representing the Previous Disposal Shares and the Mandate Shares) are listed on the Main Board of the Stock Exchange.

The audited consolidated financial information of China Evergrande Group for the two years ended 31 December 2019 and 2020 extracted from the annual report of China Evergrande Group for the year ended 31 December 2020 is as follows:

	For the year ended 31 December 2019	For the year ended 31 December 2020
	<i>RMB</i>	<i>RMB</i>
Profit before taxation	74,172 million (equivalent to approximately HK\$89,348 million)	68,245 million (equivalent to approximately HK\$82,208 million)
Profit after taxation	33,542 million (equivalent to approximately HK\$40,405 million)	31,400 million (equivalent to approximately HK\$37,824 million)

As disclosed in the interim report of China Evergrande Group for the six months ended 30 June 2021 (the “**China Evergrande Interim Report**”), the unaudited consolidated net assets of China Evergrande Group as at 30 June 2021 was approximately RMB411,041 million (equivalent to approximately HK\$495,140 million).

4. 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, building and property management, brokerage, securities investment, money lending and cosmetics distribution and trading.

LETTER FROM THE BOARD

5. REASONS FOR AND BENEFITS OF THE PREVIOUS DISPOSAL, THE DISPOSAL UNDER THE DISPOSAL MANDATE UP TO THE LPD, THE REMAINING POSSIBLE DISPOSAL(S) AND THE DISPOSAL MANDATE

The Previous Disposal and the Possible Disposal(s) form part of the securities investment activities of the Group and are in the Group's ordinary and usual course of business.

The Directors were cautious and concerned about the recent development of China Evergrande Group including certain disclosure made by China Evergrande Group on its liquidity and going concern in its announcement of unaudited interim results for the six months ended 30 June 2021 (the "**China Evergrande Interim Results Announcement**"), the announcement of China Evergrande Group dated 14 September 2021 and the China Evergrande Interim Report, and the possible consequences and possible material adverse change in relation to its financial and operating positions in the event that the remedial measures said to have been taken and to be taken by China Evergrande Group could not be effectively implemented.

On the liquidity issue, in particular, on page 39 of the China Evergrande Interim Report under the heading "2. Basis of Preparation – (ii) Liquidity and going concern" in the section headed "Notes to the Condensed Consolidated Interim Financial Information", it was stated that (mostly a reiteration of the disclosure regarding China Evergrande Group's liquidity and going concern issues on page 7 of the China Evergrande Interim Results Announcement):

"(ii) Liquidity and going concern

...

As of 31 August 2021, some payables related to property development were overdue, leading to the suspension of work on some projects of the group. The group is currently negotiating with suppliers and construction contractors to strive for the resumption of construction work of these projects through ways of deferred payment or sale of its properties to set off the outstanding payments."

"In addition, the group will adopt the following measures to mitigate the liquidity issues that we are currently facing, which mainly includes adjusting project development timetable, strictly controlling costs, vigorously promoting sales and payment collection, striving for renewal and extension of borrowings, disposing of equity interests and assets (including but not limited to investment properties, hotels and other properties), and introducing new investors to increase the equity of the group and its subsidiaries. The group will adopt the plan that would be most beneficial to the group.

Management of the company has considered the assumptions regarding the operating cash flow, capital expenditures and financing needs, and projected anticipated cash flow for the coming twelve months. The directors, after reviewing the anticipated cash flow, are of the opinion that if the above measures are effectively implemented, the group will have sufficient working capital to meet the financial obligations which will be due within the next twelve months, and the preparation of the condensed consolidated interim financial information with a going concern basis is considered appropriate.

LETTER FROM THE BOARD

If the above measures cannot be effectively implemented, the directors believe that it would be inappropriate to prepare the condensed consolidated interim financial information on a going concern basis. Under such circumstance, the group shall consider the following adjustments in the condensed consolidated financial information: (i) to write down the carrying amounts of the assets to their realisable values; (ii) to provide for contingent liabilities which might arise; and (iii) to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these potential adjustments have not been reflected in the current condensed consolidated interim financial information.”

On page 2 of the announcement of China Evergrande Group dated 14 September 2021 under the heading “Two Subsidiaries Of The Company Failed To Discharge Their Guarantee Obligations And Update On Liquidity Issues”, it was stated that:

“As of the date of this announcement, two subsidiaries of the company failed to discharge their guarantee obligations as scheduled for the wealth management products issued by third parties. The relevant amount involved is approximately RMB934 million. The company is in active discussion with the issuers and investors with a view to reaching a mutually agreeable repayment arrangement.

In view of the difficulties, challenges and uncertainties in improving its liquidity as mentioned above, there is no guarantee that the group will be able to meet its financial obligations under the relevant financing documents and other contracts. If the group is unable to meet its guarantee obligation or to repay any debt when due or agree with the relevant creditors on extensions of such debts or alternative agreements, it may lead to cross-default under the group’s existing financing arrangements and relevant creditors demanding acceleration of repayment. This would have a material adverse effect on the group’s business, prospects, financial condition and results of operations.”

Further, the Directors are aware and cautious that the share price of China Evergrande Group has declined significantly in the recent months.

LETTER FROM THE BOARD

The closing price of shares of China Evergrande Group as at the last trading date of each month since 31 December 2020 and as at the Latest Practicable Date are as follows:

Date	Closing price (HK\$)
31 December 2020	14.90
29 January 2021	14.94
26 February 2021	15.88
31 March 2021	14.80
30 April 2021	13.16
31 May 2021	11.64
30 June 2021	10.12
30 July 2021	5.26
31 August 2021	4.36
30 September 2021	2.95
29 October 2021	2.32
Latest Practicable Date	2.78

In view of the above and given the volatility of the stock market and changing market and economic conditions, the Directors are of the view that:

- (a) the Disposal under the Disposal Mandate up to the LPD and the Remaining Possible Disposal(s) could provide an immediate liquidity to the Group, and could allow the Group to re-allocate the proceeds for other reinvestment opportunities when they arise;
- (b) given that the disposal of all the Mandate Shares on aggregate basis (in aggregation with the Previous Disposal) would constitute a major transaction of the Company subject to shareholders' approval under Chapter 14 of the Listing Rules, and disposing of the Mandate Shares at the best possible price requires prompt actions at the right timing and it would not be practicable to seek prior Shareholders' approval for each Possible Disposal, the Disposal Mandate could provide flexibility to the Directors to observe the price performance of the Mandate Shares and to act promptly, effectively and efficiently with reference to the changing market conditions and economic situation so as to maximise the proceeds which could be realised from the Possible Disposal(s); and
- (c) given the other factors taken into account by the Directors as set out in the paragraph headed "2. The Disposal Mandate – Basis for determination of the selling price of the Mandate Shares" in this section headed "Letter from the Board" in this circular, the Directors consider that the Disposal Mandate is on normal commercial terms and is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

In the event that not all the Mandate Shares are brought disposed of upon the expiry of the Mandate Period, depending on the prevailing market and economic conditions at the relevant time, the Company may consider seeking Shareholders' approval for refreshment of the Disposal Mandate or extension of the Mandate Period if and when necessary and appropriate.

LETTER FROM THE BOARD

6. FINANCIAL EFFECT OF THE REMAINING POSSIBLE DISPOSAL(S) (IN AGGREGATION WITH THE PREVIOUS DISPOSAL AND THE DISPOSAL UNDER THE DISPOSAL MANDATE UP TO THE LPD) AND USE OF PROCEEDS

In the consolidated financial statements of the Company, all the Evergrande Shares held by the Group (representing the Previous Disposal Shares and the Mandate Shares) have been classified as “equity investment” and as “financial assets measured at fair value through other comprehensive income” in the consolidated statement of financial position of the Company. The dividend income from the Evergrande Shares is presented as “revenue in profit or loss” and the gain/loss on fair value change of such equity investment is presented as “other comprehensive income/expenses” that will not be reclassified to profit or loss, respectively, in the consolidated statement of comprehensive income of the Company.

During the six months ended 30 June 2021, the Group received from China Evergrande Group the final dividend for the year 2020 of RMB0.152 (equivalent to approximately HK\$0.182) per share applicable to all the 860,000,000 Evergrande Shares held by the Group, in aggregate of approximately HK\$156.5 million.

The carrying amount of the Evergrande Shares as at 31 December 2020 in the Company’s consolidated financial statements was HK\$12,814.0 million, based on the closing price of HK\$14.90 per share as at 31 December 2020. The carrying amount of the shares under the Previous Disposal and the Disposal under the Disposal Mandate up to the LPD was HK\$1,622.7 million and HK\$6,524.4 million, respectively, as at 31 December 2020. As a result of the Previous Disposal and the Disposal under the Disposal Mandate up to the LPD, the Group expects to record a realised loss in other comprehensive income of approximately HK\$6,762 million (inclusive of transaction costs) for the year ending 31 December 2021 (the “**Expected Realised Loss from China Evergrande Group Disposal**”), subject to audit.

As at the Latest Practicable Date, the Group continued to hold 313,213,000 Remaining Mandate Shares, representing approximately 2.36% of the issued share capital of China Evergrande Group as at 31 October 2021 (calculated based on the total number of issued shares of China Evergrande Group as at 31 October 2021 as disclosed in its monthly return dated 4 November 2021).

The Remaining Mandate Shares held by the Group had a carrying amount of approximately HK\$4,666.9 million as at 31 December 2020 (as included in the consolidated financial statements of the Company), based on the closing price of HK\$14.90 per share as at 31 December 2020. The Remaining Mandate Shares had a carrying amount of approximately HK\$3,169.7 million as at 30 June 2021 in the unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2021 based on the closing price of HK\$10.12 per share as at 30 June 2021. Closing price of the shares of China Evergrande Group as at the Latest Practicable Date was HK\$2.78 per share.

LETTER FROM THE BOARD

Solely for illustration purpose, on the assumption that all the Remaining Mandate Shares are to be disposed of by the Group during 2021 with reference to the closing price of the shares of China Evergrande Group as at the Latest Practicable Date of HK\$2.78 per share, it is expected that the Group will record in aggregate a realised loss in other comprehensive income of approximately HK\$10,558 million for the year ending 31 December 2021 as a result of disposal of all the 860,000,000 Evergrande Shares (the “**Expected Aggregated Realised Loss from China Evergrande Group Disposal**”), subject to audit. The aforesaid financial effects would be assessed by the Group upon completion of all the Remaining Possible Disposal(s) or expiry of the Mandate Period, whichever is earlier, and subject to audit.

The principal assumptions for the calculation of the Expected Realised Loss from China Evergrande Group Disposal and the Expected Aggregated Realised Loss from China Evergrande Group Disposal are the selling price of the Mandate Shares in the Remaining Possible Disposal(s) being equal to the closing price of the shares of China Evergrande Group as at the Latest Practicable Date and that all the Remaining Mandate Shares would be disposed of by the Group on or before 31 December 2021. Save as aforementioned, the Company has not adopted any other principal assumptions for the calculation of the Expected Realised Loss from China Evergrande Group Disposal and the Expected Aggregated Realised Loss from China Evergrande Group Disposal. Shareholders should note that the actual financial impact of the Previous Disposal, the Disposal under the Disposal Mandate up to the LPD and the Remaining Possible Disposal(s) is subject to audit by the Company’s auditors and the actual occurrence, (if applicable) the transaction amount and terms and conditions of the Remaining Possible Disposal(s), and therefore the actual realised loss may differ from the above-mentioned estimated amounts.

In addition, the estimated transaction costs of the Disposal Mandate and the Possible Disposal(s) contemplated thereunder would be approximately HK\$1 million that will be recorded in the consolidated statement of comprehensive income of the Company for the year ending 31 December 2021.

Following the completion of disposal of all the 860,000,000 Evergrande Shares, assuming all the Remaining Mandate Shares would be disposed of by the Group, the Group expects that the net profit from holding the Evergrande Shares (dividend income minus the relevant finance costs) will no longer be contributing to the earnings of the Group.

The Directors intend to use the proceeds from the Disposal under the Disposal Mandate up to the LPD and the Remaining Possible Disposal(s) for general working capital and for reinvestment by the Group when opportunities arise.

7. LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal Mandate and the Possible Disposal(s) contemplated thereunder, when aggregated with the Previous Disposal, exceeds 25% but is not more than 75%, the Disposal Mandate and the Possible Disposal(s) contemplated thereunder therefore constituted a major transaction for the Company under Chapter 14 of the Listing Rules and was subject to the reporting, announcement, circular and shareholders’ approval requirements under the Listing Rules.

LETTER FROM THE BOARD

To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, no Shareholder or any close associate of any Shareholder has any material interest in the Disposal Mandate and the Possible Disposal(s) contemplated thereunder, and thus no Shareholder would be required to abstain from voting for the approval of the Disposal Mandate and the Possible Disposal(s) contemplated thereunder if the Company were to convene and hold a general meeting.

As disclosed in the Announcement, on 23 September 2021 (before trading hours), the Company obtained an approval in writing for the Disposal Mandate and the Possible Disposal(s) contemplated thereunder from the Relevant Shareholders, namely, Solar Bright, JLLH Investments and Century Frontier, directly or indirectly wholly-owned by Sino Omen which is in turn wholly-owned by Ms. HW Chan as the trustee for her minor children as at the Latest Practicable Date, being a closely allied group of Shareholders which together were interested in an aggregate of approximately 74.99% of the issued share capital of the Company carrying voting rights as at the date of such approval. Therefore, in accordance with Rule 14.44 of the Listing Rules, the shareholders' approval requirement in respect of the Disposal Mandate and the Possible Disposal(s) contemplated thereunder under Chapter 14 of the Listing Rules has been satisfied in lieu of a general meeting of the Company. Accordingly, no general meeting will be held by the Company to approve the Disposal Mandate and the Possible Disposal(s) contemplated thereunder.

8. TAKEOVERS CODE IMPLICATIONS

Reference is made to the Scheme Document. Pursuant to Rule 10 of the Takeovers Code, as the aforesaid disclosure of the Expected Realised Loss from China Evergrande Group Disposal and the Expected Aggregated Realised Loss from China Evergrande Group Disposal constitute profit forecast under Rule 10 of the Takeovers Code, they are required to be reported on by the financial adviser and the auditors or the accountants of the Company. The Company has complied with the requirements of Rule 10 of the Takeovers Code and both the independent financial adviser of the Company and the auditors of the Company have reported on the Expected Realised Loss from China Evergrande Group Disposal and the Expected Aggregated Realised Loss from China Evergrande Group Disposal under Rule 10.4 of the Takeovers Code, details of which are set out in the report by Gram Capital Limited, an independent financial adviser appointed by the Company in relation to the Proposal, and the report by HLB Hodgson Impey Cheng Limited, independent auditors of the Company, in Appendix IIIA-1 and Appendix IIIB-1 to the Scheme Document respectively.

9. RECOMMENDATION

The Directors are of the view that the Disposal Mandate and the Possible Disposal(s) contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors would recommend the Shareholders to vote in favour of the resolution(s) approving the Disposal Mandate and the Possible Disposal(s) contemplated thereunder, if a general meeting of the Company was to be convened.

The above statement is for the Shareholders' reference only given that the Company had already obtained the written approval from the Relevant Shareholders for the Disposal Mandate and the Possible Disposal(s) contemplated thereunder and hence, pursuant to Rule 14.44 of the Listing Rules, no general meeting of the Company will be convened for the purpose of approving the Disposal Mandate and the Possible Disposal(s) contemplated thereunder.

LETTER FROM THE BOARD

10. GENERAL

Whether the Group decides to proceed with the Remaining Possible Disposal(s) or not, or to what extent, will depend on a number of factors, including without limitation, prevailing market sentiments and market conditions during the Mandate Period. While the Group currently intends to proceed with the Remaining Possible Disposal(s), there is no assurance that the Group will eventually proceed with any part of the Remaining Possible Disposal(s). **Shareholders and potential investors of the Company are therefore advised to exercise extreme caution when dealing in the Shares.**

11. ADDITIONAL INFORMATION

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

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

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for each of the three years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021 are disclosed in the annual reports of the Company for each of the three years ended 31 December 2018, 2019 and 2020 and the interim report of the Company for the six months ended 30 June 2021, 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 2018 published on 18 April 2019 (pages 91–253);
- (b) annual report of the Company for the year ended 31 December 2019 published on 22 April 2020 (pages 97–257);
- (c) annual report of the Company for the year ended 31 December 2020 published on 23 April 2021 (pages 123–289); and
- (d) interim report of the Company for the six months ended 30 June 2021 published on 20 September 2021 (pages 3–53).

2. INDEBTEDNESS STATEMENT**Borrowings**

As at the close of business on 30 September 2021, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings as follows:

	30 September 2021
	<i>HK\$'000</i>
Secured bank loans	5,969,464
Other secured loans	514,717
Amounts due to associates	296,844
Amounts due to investee companies	884,298
Amounts due to non-controlling shareholders	275
	<hr/>
	7,665,598
	<hr/> <hr/>

The bank loans and the other loans were secured by the Group's investment properties, bonds, listed equity investments, structured products, 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 30 September 2021, the Group had lease liabilities of approximately HK\$76 million which were secured by rental deposits and unguaranteed.

Guarantees

As at 30 September 2021, the Group provided financial guarantees and indemnity, details are shown as follows:

	30 September 2021 <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	<u>613,830</u>
	<u><u>628,830</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 30 September 2021, 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 2020, being the date on which the latest published audited financial statements of the Group for the year ended 31 December 2020 was made up to, except:

- i. as disclosed in the interim report of the Company for the six months ended 30 June 2021 published on 20 September 2021, the Group recorded a net loss attributable to owners of the Company of approximately HK\$37 million for the six months ended 30 June 2021 as compared to a net profit attributable to owners of the Company of approximately HK\$786 million for the corresponding period in 2020, a substantial increase in total comprehensive expenses for the six months ended 30 June 2021 as compared to that for the six months ended 30 June 2020, and a substantial decrease in net asset value as at 30 June 2021 as compared to that as at 31 December 2020. The net asset value of the Group attributable to owners of the Company as at 30 June 2021 were approximately HK\$24,778 million as compared to approximately HK\$28,759 million as at 31 December 2020;
- ii. as disclosed in the paragraph headed “6. Financial Effect of the Remaining Possible Disposal(s) (in aggregation with the Previous Disposal and the Disposal under the Disposal Mandate up to the LPD) and Use of Proceeds” in the section headed “Letter from the Board” in this circular, based on the gross sale proceeds in the Previous Disposal and the Disposal under the Disposal Mandate up to the LPD and the preliminary assessment based on the assumption that all the Remaining Mandate Shares are to be disposed of by the Group during 2021 with reference to the closing price of the shares of China Evergrande Group as at the Latest Practicable Date of HK\$2.78 per share, it is expected that a realised loss of approximately HK\$10,558 million in aggregate would be recorded in other comprehensive income for the year ending 31 December 2021, subject to audit; and
- iii. as disclosed in the circular of the Company dated 18 November 2021, as a result of the disposals of certain debt securities by the Group which took place during the period from 19 October 2021 to 28 October 2021 (both dates inclusive), it is expected that the Group will record realised loss in aggregate of approximately HK\$1,355 million in profit or loss for the year ending 31 December 2021, subject to audit.

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 Previous Disposal, the Disposal under the Disposal Mandate up to the LPD and the Remaining Possible Disposal(s), 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. The Company has obtained the relevant confirmation from its auditors in this regard as required under Rule 14.66(12) of the Listing Rules.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

For details of the Group’s financial and trading prospects, please refer to the paragraph headed “9. Reasons for and Benefits of the Proposal” in the section headed “Part VI – Explanatory Statement” in the Scheme Document.

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	Note	Capacity	Percentage of Issued Share Capital
Ms. HW Chan	1,430,700,768	#	Interest in controlled corporation and interest of children under 18	74.99%

Note:

These shares were directly held by JLLH Investments as to 230,984,820 Shares, Solar Bright as to 723,290,948 Shares and Century Frontier as to 476,425,000 Shares. Each of JLLH Investments and Century Frontier was wholly-owned by Solar Bright which is in turn wholly owned by Sino Omen, the entire share capital of which was held by Ms. HW Chan as the trustee of her minor children Lau, Chung-hok, Lau, Sau-wah and Lau, Sau-yee. Therefore, pursuant to Part XV of the SFO, Ms. HW Chan was deemed to be interested in all these 1,430,700,768 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. HW Chan	Sino Omen	50,000	*	Interest of children under 18	100%
Ms. HW Chan	Solar Bright	1	*	Interest in controlled corporation and interest of children under 18	100%

Note:

- * Ms. HW Chan (as the trustee for her minor children Lau, Chung-hok, Lau, Sau-wah and Lau, Sau-yee) directly held the entire issued share capital of Sino Omen. Sino Omen directly held the entire issued share capital of Solar Bright. Therefore, Ms. HW Chan as the trustee for her said minor children was also deemed to be interested in the entire issued share capital of Solar Bright pursuant to Part XV of the SFO.

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.

Ms. HW Chan is a director of Sino Omen, Solar Bright, JLLH Investments and Century Frontier (all of them were substantial shareholders 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 had 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 sale and purchase agreement dated 10 January 2020 entered into between Current Sino Limited (an indirect wholly-owned subsidiary of the Company) as the purchaser and Mr. Tang Shing Bor (an Independent Third Party) as the vendor in respect of the sale and purchase of the remaining 49% of the entire issued share capital of Landrich (H.K.) Limited and the sale loan at a consideration subject to a maximum amount of HK\$360,000,000 as disclosed in the announcement of the Company dated 10 January 2020;
- (b) the disposal agreement dated 29 January 2020 entered into among Chase Master Company Limited (“**Chase Master**”) (an indirect wholly-owned subsidiary of the Company), Lucky Way Company Ltd. (an indirect wholly-owned subsidiary of the Company), City Gateway Limited (an indirect wholly-owned subsidiary of the Company) as the sellers and Ms. HW Chan as the purchaser relating to the disposal of certain debt securities subject to the cap amount of HK\$8,000 million as disclosed in the announcement of the Company dated 29 January 2020 and the circular of the Company dated 28 February 2020;
- (c) the tenancy agreement dated 12 June 2020 entered into between Chinese Estates, Limited (“**CEL**”) (a direct wholly-owned subsidiary of the Company) as tenant and Windsor House Limited (a company at that time indirectly owned by (i) Ms. HW Chan (an executive Director and a trustee of the substantial shareholders of the Company (who are her minor children)), both in her capacity as a trustee of her minor children and in her own capacity; and (ii) a family trust of Mr. Lau, Ming-wai (a non-executive Director and the chairman of the Board)) as landlord in relation to the leasing of the whole of 39th floor of Chubb Tower, Windsor House at a monthly rental of HK\$1,409,500 and for a term of three years as disclosed in the announcement of the Company dated 12 June 2020;
- (d) the contract for services dated 14 August 2020 entered into between CEL and Ms. HW Chan in respect of the provision of leasing administration services, asset management and maintenance services, sale administration services, property management services, property administration services, rental services, advisory and consultancy services and other ordinary services for a term commencing from 1 November 2020 for three years. The cap of the services charges for the period from 1 November 2020 to 31 December 2020, for the years 2021 and 2022, and for the period from 1 January 2023 to 31 October 2023 were set at HK\$9,800,000, HK\$59,400,000, HK\$62,400,000 and HK\$54,600,000, respectively as disclosed in the announcement and circular of the Company dated 14 August 2020 and 7 October 2020, respectively; and

- (e) the placement and subscription agreement dated 26 November 2020 entered into among Chase Master 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 UBS AG Hong Kong Branch as the placing agent in relation to the subscription of the US\$100,000,000 8.875% senior notes due 2021 on a private placement basis at the issue price of 98.966% of the principal amount of the notes plus accrued interest as disclosed in the announcement of the Company dated 26 November 2020.

6. INTEREST IN ASSETS OR CONTRACTS

- (a) Save for the agreements disclosed in (b), (c) and (d) under the paragraph headed “5. Material Contracts” in this appendix, as at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which have since 31 December 2020, being the date to which the latest audited financial statements of the Company for the year ended 31 December 2020 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 (b), (c) and (d) under the paragraph headed “5. Material Contracts” in this appendix, 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. HW Chan 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; while Ms. HW Chan (whether directly or indirectly through her close associates) had personal interest in a private company engaged in money lending business. 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 21st Floor, Chubb Tower, Windsor House, 311 Gloucester Road, Causeway Bay, 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 shall prevail over the Chinese text in the case of inconsistency.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company in Hong Kong at 21st Floor, Chubb Tower, Windsor House, 311 Gloucester Road, Causeway Bay, Hong Kong during normal business hours on any weekdays (except public holidays) for a period of 14 days from the date of this circular:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for the years ended 31 December 2018, 2019 and 2020;
- (c) the interim report of the Company for the six months ended 30 June 2021;
- (d) the material contracts as referred to in the paragraph headed “5. Material Contracts” in this appendix;
- (e) the Scheme Document; and
- (f) this circular.