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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)

CONTINUING CONNECTED TRANSACTIONS CONTRACT FOR SERVICES AND NOTICE OF SPECIAL GENERAL MEETING

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



Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular. A letter from the Board is set out on pages 8 to 22 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-16 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 Wednesday, 28 October 2020 at 10:00 a.m. is set out on pages SGM-1 to SGM-3 of this circular. If you are not able to attend the 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.

SUMMARY OF PRECAUTIONARY MEASURES FOR COVID-19 SITUATION

To prevent and control the spread of COVID-19, the Company will implement precautionary measures at the SGM, including:

- compulsory body temperature checks and health declarations
- mandatory wearing of masks at all times
- no refreshments and corporate gifts

Details of the precautionary measures are set out on page SGM-3 of this circular. Any person who does not comply with such precautionary measures will be denied entry into the meeting venue. **Shareholders are recommended to appoint the chairman of the meeting as their proxy to vote on the relevant resolution instead of attending the meeting in person.**

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DEFINITIONS

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

“Advisory and Consultancy Services”	the Advisory and Consultancy Services as specified under the Contract and summarised in the sub-section headed “Services to be provided by CEL Companies” in the “Letter from the Board” in this circular;
“Announcement”	the announcement of the Company dated 14 August 2020 in respect of the provision of the Services;
“Assets”	collectively, properties and related assets (including without limitation the fixtures, fittings, information technology related devices and equipment therein) and such other assets of a nature normally requiring management service, maintenance service or other similar services which are beneficially owned by Ms. Chan and/or the Chan Associates or her related parties;
“Asset Management and Maintenance Services”	the Asset Management and Maintenance Services as specified under the Contract and summarised in the sub-section headed “Services to be provided by CEL Companies” in the “Letter from the Board” in this circular;
“associate(s)”	has the meaning ascribed to it in Chapter 14A of the Listing Rules;
“Board”	the board of Directors;
“BVI”	the British Virgin Islands;
“Cap”	for the purpose of Chapter 14A of the Listing Rules, the maximum amount of the Service Charges payable under the Contract in respect of the provision of the Services for the respective period or financial year as set out in the section headed “Proposed Annual Caps” in the “Letter from the Board” in this circular, collectively the “Caps”;
“CEL”	Chinese Estates, Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company;
“CEL Companies”	CEL, its fellow subsidiaries and wholly-owned subsidiaries, and any one of the CEL Companies shall refer to as a “CEL Company”;

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“Century Frontier”	Century Frontier Limited, a company incorporated in the BVI with limited liability, directly wholly-owned by Solar Bright as at the Latest Practicable Date;
“Chan Associate(s)”	the associate(s) and/or relative(s) of Ms. Chan as may be designated by Ms. Chan and notified to and accepted by CEL as recipient(s) of the relevant Services from time to time;
“Company”	Chinese Estates Holdings Limited (stock code: 127), a company incorporated in Bermuda with limited liability, the Shares are listed on the main board of the Stock Exchange;
“Condition”	the condition precedent to the commencement of the term of the Contract, namely, the obtaining of the approval by the Independent Shareholders at the SGM in accordance with the Listing Rules;
“connected person(s)”	has the meaning ascribed to it in the Listing Rules;
“Contract”	the contract for services dated 14 August 2020 entered into between CEL and Ms. Chan in respect of the provision of the Services which term, subject to the Condition being fulfilled/satisfied, will commence on 1 November 2020 for 3 years unless otherwise terminated earlier in accordance with the Contract;
“Director(s)”	director(s) of the Company;
“Excelsior Plaza”	the shopping mall at Causeway Bay, Hong Kong comprising: (i) all those parts or portions of the Ground Floor, the First Floor, the Second Floor and main roof of Chee On Building; (ii) all those parts or portions of the Ground Floor, the First Floor, the Second Floor and main roof of Yee On Building; and (iii) Annex Land Building occupying Subsection 2 of Section G of Marine Lot No. 52 and the Extension, Section B of Subsection 1 of Section A of Marine Lot No. 52 and the Extension thereto, Subsection 3 of Section G of Marine Lot No. 52 and the Extension thereto, the Remaining Portion of Inland Lot No. 469 and the Remaining Portion of Section A of Inland Lot No. 470 and Subsection 1 of Section G of Marine Lot No. 52 and the Extension thereto and Section A of Subsection 1 of Section A of Marine Lot No. 52 and the Extension thereto;
“Excelsior Properties”	the Excelsior Street Shops and the Laforet Properties;

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“Excelsior Street Shops”	the properties comprising Shop Nos. 1 to 3 and 6 to 12 on Ground Floor and Unit Nos. 6 to 11 on 1st Floor of Yee On Building and Shop Nos. 21, 23 and 24 on Ground Floor of Chee On Building together with the External Walls on Ground Floor, 1st Floor and 2nd Floor and the Main Roof of Yee On Building, Excelsior Plaza, Nos. 24–26 East Point Road, Causeway Bay, Hong Kong;
“Existing Contract”	the contract for services dated 31 October 2017 entered into between CEL and Mr. Joseph Lau, Luen-hung (a connected person of the Company) for the provision of certain services on terms substantially the same as the Contract, details of which are set out in the announcement of the Company dated 31 October 2017;
“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 Contract and the transactions contemplated thereunder;
“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 People’s Republic of China;
“Independent Board Committee”	the independent board 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 for the purpose of advising the Independent Shareholders in respect of the Contract and the transactions contemplated thereunder;
“Independent Shareholders”	Shareholders other than Shareholders who have a material interest in the Contract and the transactions contemplated thereunder (including Ms. Chan and her associate(s) (if they hold any Shares));
“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;

DEFINITIONS

“Josephine Court Properties”	the property known as “Josephine Court” situated at No. 12 Shiu Fai Terrace, Mid-levels East, Hong Kong;
“Laforet Properties”	the properties comprising: <ul style="list-style-type: none">(i) Shop No. 31 on 1st Floor, Shop No. 32 (Part) on Ground Floor, 1st Floor and 2nd Floor, Shop No. 32 (Part) on 2nd Floor, External Walls on Ground Floor, 1st Floor and 2nd Floor, Reserved shares for Naming Right in respect of Ground Floor, 1st Floor and 2nd Floor and Main Roof of Chee On Building, Excelsior Plaza, No. 24 East Point Road, Causeway Bay, Hong Kong;(ii) Reserved Area (Unit G) on 2nd Floor, Shop No. 32 (Part) on 2nd Floor and Reserved shares of and in the Land and Yee On Building forming part of the Excelsior Plaza in respect of Ground Floor, 1st Floor and 2nd Floor of Yee On Building, Excelsior Plaza, No. 26 East Point Road, Causeway Bay, Hong Kong; and(iii) Shop No. 32 (Part) on 2nd Floor, External Walls and 5 Reserved shares of and in the Land and the Annex Land Building forming part of the Excelsior Plaza in respect of Ground Floor, 1st Floor and 2nd Floor, and all that portion of the External Walls (Elevation Behind Escalator) of the Annex Land Building, Excelsior Plaza, Nos. 24–26 East Point Road, Causeway Bay, Hong Kong;
“Latest Practicable Date”	30 September 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Leasing Administration Services”	the Leasing Administration Services as specified under the Contract and summarised in the sub-section headed “Services to be provided by CEL Companies” in the “Letter from the Board” in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Margin”	a premium at such rate or of such amount as shall be determined by CEL in its sole and absolute discretion from time to time, which in any event shall be no less than a rate of 30%;

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“Ms. Chan”	Ms. Chan, Hoi-wan, an executive Director and a trustee of the substantial shareholders of the Company (who are her minor children);
“Other Ordinary Services”	the Other Ordinary Services as specified under the Contract and summarised in the sub-section headed “Services to be provided by CEL Companies” in the “Letter from the Board” in this circular;
“Properties”	such properties as may be specified by Ms. Chan and accepted by CEL from time to time which are beneficially owned by Ms. Chan and/or the Chan Associates;
“Property Administration Services”	the Property Administration Services as specified under the Contract and summarised in the sub-section headed “Services to be provided by CEL Companies” in the “Letter from the Board” in this circular;
“Property Management Services”	the Property Management Services as specified under the Contract and summarised in the sub-section headed “Services to be provided by CEL Companies” in the “Letter from the Board” in this circular;
“relative(s)”	has the meaning ascribed to it in Chapter 14A of the Listing Rules;
“Relevant Property Management Services”	those services falling within the scope of the Property Management Services which are provided by Perfect World Company Limited (an indirect wholly-owned subsidiary of the Company) as the property manager of Excelsior Plaza under the Sub-DMC;
“Rental Services”	the Rental Services as specified under the Contract and summarised in the sub-section headed “Services to be provided by CEL Companies” in the “Letter from the Board” in this circular;
“Sale Administration Services”	the Sale Administration Services as specified under the Contract and summarised in the sub-section headed “Services to be provided by CEL Companies” in the “Letter from the Board” in this circular;

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“Services”	collectively (i) the Leasing Administration Services; (ii) the Sale Administration Services; (iii) the Property Management Services; (iv) the Property Administration Services; (v) the Asset Management and Maintenance Services; (vi) the Rental Services; (vii) the Advisory and Consultancy Services; and (viii) the Other Ordinary Services;
“Service Charges”	the charges payable by Ms. Chan and/or the Chan Associates for the Services pursuant to the Contract;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“SGM”	the special general meeting of the Company to be convened for the purpose of the Independent Shareholders considering and, if thought fit, approving the Contract and the transactions contemplated thereunder (including the Caps, where applicable);
“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);
“Silvercord Properties”	the properties comprising shops, restaurant and coffee shop on basement, shops on lower ground floor, shops (excluding shop no. 38) on ground floor, shops (excluding shop no. 39) on 1st floor, shops (excluding shop no. 41) on 2nd floor, the whole 3rd floor and car parking spaces nos. 1, 2, 6, 7, 8, 9, 21, 24, 25, 26, 29, 30, 34 and 35 on basement, Silvercord, No. 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong;
“Sino Omen”	Sino Omen Holdings Limited, a company incorporated in the BVI with limited liability, directly wholly-owned by Ms. Chan as the trustee for 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;

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“Southorn Centre Properties”	the properties comprising: <ul style="list-style-type: none">(i) Shop No. 2 and Shop No. 3 on Ground Floor, Southorn Centre, No. 150 Hennessy Road, Hong Kong;(ii) Commercial Accommodation on 1st Floor and 2nd Floor, Southorn Centre, No. 130 Hennessy Road, Hong Kong; and(iii) Staircase facing O’Brien Road (for Exclusive Use to Commercial Accommodation on 1/F & 2/F Southorn Centre), Ground Floor Service Lift Area (for Exclusive Use to Commercial Accommodation on 1/F & 2/F Southorn Centre) and Staircase facing Hennessy Road (for Exclusive Use to Commercial Accommodation on 1/F & 2/F Southorn Centre), No. 130 Hennessy Road, Hong Kong;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Sub-DMC”	the sub-sub-deed of mutual covenant and management agreement dated 1 September 1997 made between Perfect World Company Limited (an indirect wholly-owned subsidiary of the Company), Viewside Properties Limited and Sunny Ocean 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 ascribed to it in the Listing Rules;
“The ONE Properties”	the property known as “The ONE” situated at No. 100 Nathan Road, Tsimshatsui, Kowloon, Hong Kong;
“US\$”	United States dollar, the lawful currency of the United States;
“Windsor House Properties”	the property known as “Windsor House” situated at No. 311 Gloucester Road, Causeway Bay, Hong Kong;
“York Place Properties”	the properties comprising Shop 1 and Shop 2, York Place, No. 22 Johnston Road, Wanchai, Hong Kong; and
“%”	per cent.

LETTER FROM THE BOARD



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:

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

Independent Non-executive Directors:

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

7 October 2020

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS CONTRACT FOR SERVICES

A. INTRODUCTION

Reference is made to the Announcement.

On 14 August 2020, after trading hours, CEL, a direct wholly-owned subsidiary of the Company, and Ms. Chan entered into the Contract in respect of the provision of the Services to Ms. Chan and/or the Chan Associates. Subject to the Condition, namely the obtaining of the approval by the Independent Shareholders at the SGM in accordance with the Listing Rules, being fulfilled/satisfied, the term of the Contract will commence on 1 November 2020 for 3 years unless otherwise terminated earlier in accordance with the Contract.

LETTER FROM THE BOARD

Ms. Chan, an executive Director and a trustee of the substantial shareholders of the Company (who are her minor children), indirectly holds an aggregate of approximately 74.99% of the total issued share capital of the Company as at the Latest Practicable Date. Therefore, Ms. Chan is a connected person of the Company. Accordingly, the Contract and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Rule 14A.31 of the Listing Rules. As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Caps under the Contract are more than 5% on an annual basis, the transactions contemplated under the Contract are subject to reporting, announcement, circular, Independent Shareholders' approval and annual review 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 Contract and the Services; (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 CONTRACT

Date

14 August 2020

Commencement Date

1 November 2020 (subject to the Condition being fulfilled/satisfied)

Parties

- (a) CEL; and
- (b) Ms. Chan.

Term

Subject to the Condition, namely the obtaining of the approval by the Independent Shareholders at the SGM in accordance with the Listing Rules, being fulfilled/satisfied, the term of the Contract will commence on 1 November 2020 for 3 years unless otherwise terminated earlier as set out under the sub-section headed "Termination" below.

LETTER FROM THE BOARD

Services to be provided by CEL Companies

CEL shall provide (or procure the provision of) the following Services to Ms. Chan and/or the Chan Associates on the terms and conditions of the Contract and the standard terms and conditions of the relevant CEL Companies from time to time in force:

(1) *The Leasing Administration Services*

CEL shall act or procure any of the other CEL Companies to act on behalf of Ms. Chan and/or the Chan Associates who is/are the owner(s) of the Properties in respect of all matters relating to leasing of the Properties (including without limitation matters relating to dealing with tenants, rent collection and taking legal actions, but excluding provision of services (a) for any property in respect of which Ms. Chan has from time to time informed CEL that no such services are required and (b) in relation to the referral of potential tenants and the negotiation with existing and/or potential tenants regarding terms of lease of the Properties).

(2) *The Sale Administration Services*

CEL shall act or procure any of the other CEL Companies to act on behalf of Ms. Chan and/or the Chan Associates who is/are the owner(s) of the Properties in respect of all matters (if so requested by Ms. Chan and accepted by CEL at the absolute and sole discretion of CEL from time to time) relating to sale of the Properties (including without limitation the appointment of and coordination with estate agents for such sale but excluding any sale agency service).

(3) *The Property Management Services*

CEL shall act or procure any of the other CEL Companies to act on behalf of Ms. Chan and/or the Chan Associates who is/are the owner(s) of the Properties in respect of all matters relating to management, maintenance, operation, servicing and repairs of the Properties (excluding any property in respect of which Ms. Chan has from time to time informed CEL that no such services are required).

(4) *The Property Administration Services*

CEL shall provide or procure any of the other CEL Companies to provide to Ms. Chan and/or the Chan Associates who is/are the owner(s) of the Properties such other administration services (including without limitation accounting, recruitment, human resources administration works, taxation, marketing and information technology services) for the Properties or any part of them as may be requested by Ms. Chan and accepted by CEL at the absolute and sole discretion of CEL from time to time.

(5) *The Asset Management and Maintenance Services*

CEL shall provide or procure any of the other CEL Companies to provide to Ms. Chan and/or the Chan Associates with property, household and other management and maintenance services in relation to the Assets as requested by Ms. Chan and accepted by CEL at the absolute and sole discretion of CEL from time to time.

LETTER FROM THE BOARD

(6) *The Rental Services*

CEL shall provide or procure any of the other CEL Companies to provide to Ms. Chan and/or the Chan Associates the rental of motor vehicles, car plates, vessels, car parking spaces, premises and such other rental services as requested by Ms. Chan and accepted by CEL at the absolute and sole discretion of CEL from time to time.

(7) *The Advisory and Consultancy Services*

CEL shall provide or procure any of the other CEL Companies to provide to Ms. Chan and/or the Chan Associates with general advisory, consultancy, administration, liaison, personnel support services and such other services (including without limitation accounting and taxation services) ancillary and/or incidental thereto as may be requested by Ms. Chan and accepted by CEL at the absolute and sole discretion of CEL from time to time.

(8) *The Other Ordinary Services*

CEL shall provide or procure any of the other CEL Companies to provide to Ms. Chan and/or the Chan Associates with such services which are being provided by any CEL Company in its ordinary and usual course of business, as may be requested by Ms. Chan and accepted by CEL at the absolute and sole discretion of CEL from time to time. Such Other Ordinary Services shall be the Group's principal activities, such as brokerage and margin financing, and money lending. For the avoidance of doubt, the Other Ordinary Services will not include services which are covered by (i) the Leasing Administration Services; (ii) the Sale Administration Services; (iii) the Property Management Services; (iv) the Property Administration Services; (v) the Asset Management and Maintenance Services; (vi) the Rental Services; and (vii) the Advisory and Consultancy Services, and will not include any non-principal activities of the Group. CEL Company is currently providing brokerage services under the Existing Contract and currently expect that CEL Company may provide such brokerage services to Ms. Chan and/or the Chan Associates under the Contract.

Exclusion from the Services

CEL shall have the right to determine at any time in its absolute discretion (a) whether to provide or continue to provide or suspend any services (which would otherwise fall within the scope of the Services) and (b) on what terms, within what scope and to what extent such services will be provided, to the extent that such services are:

- (i) services which in the sole opinion of CEL will be unduly burdensome or will otherwise cause significant interruption or inconvenience to the business of the Group; or
- (ii) services in the sole opinion of CEL as and when the aggregate Service Charges payable by Ms. Chan and/or the Chan Associates exceeds or may exceed the Cap for the respective period or financial year as approved by the Independent Shareholders and announced by the Company from time to time.

LETTER FROM THE BOARD

The Service Charges

In respect of all of the Services (other than the Property Management Services, the Rental Services and the Other Ordinary Services)

Ms. Chan shall pay (or procure payment) to CEL (or any of the other CEL Companies as CEL may direct) charges calculated at such hourly charge-out rates (being cost plus the Margin) as may be specified by CEL from time to time in relation to the time spent by the staff and/or representatives of the CEL Companies in providing such services.

As there were no comparable services offered by the Group to independent third-party customers and the Company could not identify precisely comparable services offered in the market (taking into account the integrated and comprehensive services covering legal, leasing, marketing, accounting, taxation, human resources and information technology aspects) based on published information, the Margin of no less than a rate of 30% is arrived at after arms' length negotiation and determined with reference to (i) the same margin rate as adopted under the Existing Contract; and (ii) a margin rate of not less than the margin charged by other listed companies in respect of provision of services to connected persons, including advisory and administrative services, construction and maintenance services, processing services and operation management services, of which the fee of processing services and operation management services are determined with reference to labour costs/salaries of the operation staff plus a margin.

The reason for adoption of cost plus the Margin basis for all the Services (other than the Property Management Services, the Rental Services and the Other Ordinary Services) is that the rendering of such services involve manpower work so that using hourly charge-out rates as the basis would facilitate the calculation of the cost for provision of such services. Such hourly charge-out rates (inclusive of the Margin) are subject to revision or adjustment by CEL in its sole and absolute discretion, including without limitation addition or reduction of staff and adjustment of hourly charge-out rates, from time to time.

In respect of the Property Management Services

- (A) For the provision of the Property Management Services in relation to the Southorn Centre Properties, the Silvercord Properties, The ONE Properties, the Windsor House Properties and the Josephine Court Properties, Ms. Chan shall pay (or procure payment) to CEL (or any of the other CEL Companies as CEL may direct) the aggregate of the following charges:
- (i) monthly/annual charges calculated at 15% of the aggregate of (1) the total expenses, costs and charges necessarily and reasonably incurred in the management of such properties for the relevant period/year (including without limitation site staff costs, but excluding certain specified costs); and (2) the total amount of charges calculated at the hourly charge-out rates (being at cost) provided under (A)(ii) below; and

LETTER FROM THE BOARD

- (ii) monthly/annual charges calculated at such hourly charge-out rates (being at cost) as may be specified by CEL from time to time in relation to the time spent by the staff and/or representatives of the CEL Companies (excluding any site staff of such properties) in providing the Property Management Services. Such hourly charge-out rates (being at cost) are determined with reference to actual time spent for staff costs of each grade of staff and are subject to revision or adjustment by CEL in its sole and absolute discretion, including without limitation addition or reduction of staff and adjustment of hourly charge-out rates, from time to time.

The rate of manager's remuneration of 15% is determined based on (i) the same rate as adopted under the Existing Contract; (ii) the rate of not less than the rate charged for similar services offered by the Group to independent third-party customers at comparable scale (where applicable); and (iii) a rate of not less than the prevailing market rate for similar services provided by other service providers.

- (B) The charges for the provision of the Property Management Services in relation to the Excelsior Properties payable by Ms. Chan (or such persons procured by Ms. Chan) to CEL (or any of the other CEL Companies as CEL may direct) are calculated in the following manner:

- (i) The Chan Associates and other independent third parties are owners of the Excelsior Plaza. Under the Sub-DMC, Perfect World Company Limited (an indirect wholly-owned subsidiary of the Company) was appointed as the property manager of Excelsior Plaza to provide the Relevant Property Management Services. Pursuant to the Sub-DMC, the total management fee charged by Perfect World Company Limited which includes management expenses and manager's remuneration of Excelsior Plaza shall be shared amongst and paid by the respective owner(s) of the Excelsior Plaza on monthly basis. The relevant amount of management fee payable by the Chan Associates as owners of Excelsior Properties under the Sub-DMC will be deemed to form part of the Service Charges payable by the Chan Associates for the Property Management Services, no additional charge for the Relevant Property Management Services shall be charged against Ms. Chan and/or the Chan Associates as owners of the Excelsior Properties. The charge for the Relevant Property Management Services charged to the Chan Associates is currently at the rate of HK\$445,510.50 per month in aggregate which is determined based on mechanism for comparable services offered by the Group under the Sub-DMC to other independent third-party owners of Excelsior Plaza;

- (ii) for the Laforet Properties, subject to (B)(i) above, the charges for such services shall be the aggregate of:

- (1) monthly/annual charges calculated at 15% of the aggregate of (aa) the total expenses, costs and charges necessarily and reasonably incurred in the management of the Laforet Properties for the relevant period/year (including without limitation site staff costs) and (bb) the total amount of charges calculated at the hourly charge-out rates (being at cost) provided under (B)(ii)(2) below; and

LETTER FROM THE BOARD

- (2) monthly/annual charges calculated at such hourly charge-out rates (being at cost) as may be specified by CEL from time to time in relation to the time spent by the staff and/or representatives of the CEL Companies (excluding any site staff of the Laforet Properties) in providing such services (for avoidance of doubt, excluding the Relevant Property Management Services). Such hourly charge-out rates (being at cost) are determined with reference to actual time spent for staff costs of each grade of staff and are subject to revision or adjustment by CEL in its sole and absolute discretion, including without limitation addition or reduction of staff and adjustment of hourly charge-out rates, from time to time;

The rate of manager's remuneration of 15% is determined based on (i) the same rate as adopted under the Existing Contract; (ii) the rate of not less than the rate charged for similar services offered by the Group to independent third-party customers at comparable scale (where applicable); and (iii) a rate of not less than the prevailing market rate for similar services provided by other service providers.

- (iii) for the Excelsior Street Shops, subject to (B)(i) above, the charges for such services shall be calculated at such hourly charge-out rates (being cost plus the Margin) as may be specified by CEL from time to time in relation to the time spent by the staff and/or representatives of the CEL Companies in providing such services (for avoidance of doubt, excluding the Relevant Property Management Services). Such hourly charge-out rates (inclusive of the Margin) are determined with reference to actual time spent for staff costs of each grade of staff and are subject to revision or adjustment by CEL in its sole and absolute discretion, including without limitation addition or reduction of staff and adjustment of hourly charge-out rates, from time to time.
- (C) In consideration of the provision of the Property Management Services in relation to the York Place Properties, Ms. Chan shall pay (or procure payment) to CEL (or any of the other CEL Companies as CEL may direct) charges calculated at such hourly charge-out rates (being cost plus the Margin) as may be specified by CEL from time to time in relation to the time spent by the staff and/or representatives of the CEL Companies in providing such services. Such hourly charge-out rates (inclusive of the Margin) are determined with reference to actual time spent for staff costs of each grade of staff and are subject to revision or adjustment by CEL in its sole and absolute discretion, including without limitation addition or reduction of staff and adjustment of hourly charge-out rates, from time to time.
- (D) In consideration of the provision of the Property Management Services in relation to the Properties other than those mentioned in (A) to (C) above (if any), Ms. Chan shall pay (or procure payment) to CEL (or any of the other CEL Companies as CEL may direct) charges for such Property Management Services and the basis to determine the service charges are in the same manner as set out in any of (A), (B) (other than the terms of the Sub-DMC as stipulated in (B)(i)) or (C) above as agreed between Ms. Chan and CEL.

LETTER FROM THE BOARD

In respect of the Rental Services

The motor vehicles, car plates, vessels, car parking spaces and premises under the Rental Services are assets owned by the CEL Companies and used for business related events and purposes, which may be rented to Ms. Chan and/or the Chan Associates when these assets are not in use by the Group. Ms. Chan shall pay (or procure payment) to CEL (or any of the other CEL Companies as CEL may direct) charges calculated based on the estimated market rental of the relevant Rental Services from time to time plus the Margin. Such estimated market rental is determined with reference to valuation on a fair market rent basis carried out by independent professional valuer on a regular basis and at least annually. The relevant Rental Services will generate additional income for the Group while such assets are left idle. The Margin provides the charge for the Rental Services of at least 30% above the estimated market rental and is a term favourable to the Group. The said estimated market rental and the Margin are subject to revision or adjustment by CEL in its sole and absolute discretion from time to time.

In respect of the Other Ordinary Services

Ms. Chan shall pay (or procure payment) to CEL (or any of the other CEL Companies as CEL may direct) charges as may be specified by CEL in its sole and absolute discretion from time to time calculated at a standardised rate or a rate no less favourable than the charges charged to independent third parties in the ordinary and usual course of business for the provision of similar services of comparable type and transaction amounts.

The Group is currently providing brokerage services under the Existing Contract. When determining the commission rate charged to the clients, the CEL Company has a policy in place for charging different commission rate for clients of different trading volume. Clients of larger trading volume are charged at a lower commission rate and vice versa. Currently Ms. Chan has the largest trading volume and is charged with the lowest commission rate among the clients, such rate is consistent with the CEL Company's policy in place. The difference between the commission rate charged to Ms. Chan and independent third-party clients are comparable taking into consideration the difference in their trading volume. Ms. Chan is charged at a commission rate not less than a rate offered by other independent third-party banks to Ms. Chan. Responsible personnel in securities trading business conducts periodic review of commission rate charged to Ms. Chan and the rates offered by other independent third-party banks to Ms. Chan to ensure the rate is not less than the charges offered by independent third-party banks.

In the event that margin financing is provided to Ms. Chan and/or the Chan Associates, the loan size and interest rate will be determined based on financial condition, credit rating and trading record of the relevant client, the facility amount, underlying portfolio pledged to the CEL Companies, the margin ratio and market interest rate, the basis of which is under the same policy as to other independent third-party clients of CEL Companies. In the event that money lending service is provided to Ms. Chan and/or the Chan Associates, the loan size and interest rate will be determined based on the financial condition and credit rating of the relevant client, the collateral and personal guarantee (if any), use of proceeds and market interest rate, the basis of which is under the same policy as to other independent third-party clients of CEL Companies. For both the margin financing and money lending services, responsible personnel will also conduct periodic review of the rate charged to Ms. Chan and/or the Chan Associates (if any) and the rates offered by other independent third-party service provider to Ms. Chan and/or the Chan Associates (if any) to ensure the rate is not less than the charges offered by independent third-party service provider.

LETTER FROM THE BOARD

In addition to the payment of the Service Charges above, Ms. Chan shall also bear and reimburse (or procure reimbursement to) CEL (or any of the other CEL Companies as CEL may direct) for all costs and expenses incurred by the CEL Companies for the provision of the Services.

Termination

If the Condition has not been fulfilled/satisfied on or before 31 October 2020 (inclusive of that day), the Contract shall be automatically terminated.

After the Contract becomes effective upon the fulfillment/satisfaction of the Condition, the Contract may be terminated (i) by either party by giving a prior written notice to the other party of not less than 3 months (or such shorter period as may be agreed by both parties); (ii) at any time on the ground of bankruptcy or winding-up of either party; or (iii) by a party on a material breach of the Contract by the other party which has not been remedied within 1 month after being notified by the non-defaulting party.

CEL shall also be entitled to terminate the Contract by giving Ms. Chan a written notice of not less than 1 month (or such shorter period as may be agreed by both parties or required by the Stock Exchange) at any time if: (i) the continuing performance by CEL of its obligations thereunder will or is likely to result in a breach or non-compliance of the Listing Rules by the Company; (ii) the Stock Exchange disapproves the transactions contemplated under the Contract; or (iii) the Stock Exchange revokes any waiver or consent (if any) previously granted for the transactions contemplated under the Contract.

Termination in accordance with the above shall be without prejudice to any claim for any antecedent breach, non-observance or non-performance of the terms or conditions in the Contract.

C. PROPOSED ANNUAL CAPS

Having considered (i) the historical amounts received by the Group for the services under the Existing Contract; (ii) the estimated Service Charges for the Services to be provided under the Contract; and (iii) allowing a reasonable buffer for any upward adjustments on the Service Charges charged by CEL (including due to inflation or otherwise), the Board proposed that the aggregate Service Charges for all the Services under the Contract shall not exceed the following Caps for the respective period or financial year below:

Under the Existing Contract	Under the Contract			
Historical amount for the financial year ended	For the period from	For the financial	For the financial	For the period from
31 December 2019	1 November 2020 to	year ending	year ending	1 January 2023 to
(for reference)	31 December 2020	31 December 2021	31 December 2022	31 October 2023
HK\$44,593,141	HK\$9,800,000	HK\$59,400,000	HK\$62,400,000	HK\$54,600,000

LETTER FROM THE BOARD

Amongst the Caps as set out above, the aggregate Service Charges for (i) the Leasing Administration Services; (ii) the Sale Administration Services; (iii) the Property Management Services; (iv) the Property Administration Services; and (v) the Asset Management and Maintenance Services shall not exceed the following caps for the respective period or financial year below:

Under the Existing Contract	Under the Contract			
Historical amount for the financial year ended 31 December 2019 (for reference)	For the period from 1 November 2020 to 31 December 2020	For the financial year ending 31 December 2021	For the financial year ending 31 December 2022	For the period from 1 January 2023 to 31 October 2023
HK\$37,895,437	HK\$7,500,000	HK\$46,400,000	HK\$48,700,000	HK\$42,600,000

Amongst the Caps as set out above, the Service Charges for the Rental Services shall not exceed the following caps for the respective period or financial year below:

Under the Existing Contract	Under the Contract			
Historical amount for the financial year ended 31 December 2019 (for reference)	For the period from 1 November 2020 to 31 December 2020	For the financial year ending 31 December 2021	For the financial year ending 31 December 2022	For the period from 1 January 2023 to 31 October 2023
HK\$5,071,120	HK\$1,200,000	HK\$7,000,000	HK\$7,400,000	HK\$6,500,000

Amongst the Caps as set out above, the Service Charges for the Advisory and Consultancy Services shall not exceed the following caps for the respective period or financial year below:

Under the Existing Contract	Under the Contract			
Historical amount for the financial year ended 31 December 2019 (for reference)	For the period from 1 November 2020 to 31 December 2020	For the financial year ending 31 December 2021	For the financial year ending 31 December 2022	For the period from 1 January 2023 to 31 October 2023
HK\$34,234	HK\$100,000	HK\$100,000	HK\$100,000	HK\$100,000

LETTER FROM THE BOARD

Amongst the Caps as set out above, the Service Charges for the Other Ordinary Services shall not exceed the following caps for the respective period or financial year below:

Under the Existing Contract	Under the Contract			
Historical amount for the financial year ended 31 December 2019 (for reference)	For the period from 1 November 2020 to 31 December 2020	For the financial year ending 31 December 2021	For the financial year ending 31 December 2022	For the period from 1 January 2023 to 31 October 2023
HK\$1,592,350	HK\$1,000,000	HK\$5,900,000	HK\$6,200,000	HK\$5,400,000

D. REASONS FOR AND BENEFITS OF ENTERING INTO THE CONTRACT

The Contract will generate income to the Group as the Group will receive the Service Charges with a guaranteed rate of mark up for profit for the Services (other than the Relevant Property Management Services and the Other Ordinary Services) which is favourable to the Group. The Company considered that the mark up for profit for the Services (other than the Relevant Property Management Services and the Other Ordinary Services) are favourable on the basis that (i) the rate of manager's remuneration of 15% is higher than (a) the rate charged for similar services offered by the Group to independent third-party customers; and (b) prevailing market rate for similar services charged by other service providers; (ii) the charges for the Rental Services are made at least 30% above estimated market rental; and (iii) for other services charged at cost plus the Margin (no less than 30%), as there were no comparable services offered by the Group to independent third-party customers and the Company could not identify precisely comparable services offered in the market (taking into account the integrated and comprehensive services covering legal, leasing, marketing, accounting, taxation, human resources and information technology aspects) based on published information, by comparing with margin charged by other listed companies in respect of provision of services to connected persons, the Margin of no less than a rate of 30% is relatively high. As regards the Relevant Property Management Services and the Other Ordinary Services, such services will be provided in the ordinary and usual course of business of the Group on terms no less favourable than those offered to independent third parties for similar services. The terms of the Contract (including the basis of the Service Charges and, where applicable, the guaranteed rate of the Margin) are arrived at after arm's length negotiation and with no unusual or onerous obligations on the part of CEL.

Ms. Chan, being a party to the Contract, has a material interest in the Contract and the transactions contemplated thereunder. Therefore, she has abstained from voting on the Board resolutions for considering and approving the Contract and the transactions contemplated thereunder. 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) (if present at the relevant meeting) has abstained from voting on the Board resolutions for considering and approving the Contract and the transactions contemplated thereunder. Save as disclosed above, no other Directors has a material interest in the Contract and is required to abstain from voting on the Board resolutions for considering and approving the Contract and the transactions contemplated thereunder.

LETTER FROM THE BOARD

E. INTERNAL CONTROL

The Group has adopted the following internal control measures over the continuing connected transactions of the Company under the Contract:

- (1) The head of each relevant department of the Group will submit a monthly report on the time spent by the relevant staff in that department in providing the Services and the human resources department of the Group will review and calculate the total amount of the time costs of the relevant staff of the Group based on the applicable hourly charge-out rates stipulated in the Contract. In addition, the head of each relevant department of the Group will also submit monthly/annual report on the usage of the motor vehicles, vessels and car parking spaces etc. and/or the total expenses and costs incurred and calculation of the total Service Charges (as the case may be) for such Services to the finance & accounts department of the Group for their review. The human resources department and the finance & accounts department of the Group will ensure that the Service Charges are charged in accordance with the pricing policies stated in the Contract. Invoice will be issued accordingly with the endorsement of the Group Financial Controller.
- (2) The finance & accounts department of the Group is primarily responsible to review and monitor the continuing connected transactions under the Contract to ensure that the Cap is not exceeded. If the amount of the Service Charges payable by Ms. Chan and/or the Chan Associates under the Contract is expected to exceed the Caps, the Company will re-comply with all applicable requirements under the Listing Rules, including (where required) the obtaining of approval by the Independent Shareholders, before the Caps are exceeded.
- (3) The independent non-executive Directors and the Company's external auditors will conduct annual review on the continuing connected transactions contemplated under the Contract to confirm that, among others, such transactions are in accordance with the pricing policies stated in the Contract and have been entered into in accordance with the Contract and in accordance with Rule 14A.55 and Rule 14A.56 of the Listing Rules respectively. They will review the hourly charge-out rates and the Margin annually to ensure that they are fair and reasonable and not less favourable to the Company than those offered to independent third parties.
- (4) Upon the expiry of the Caps or where the Contract is renewed or if there is a material change to its terms, the Company will re-comply with all applicable requirements under the Listing Rules, including (where required) the obtaining of approval by the Independent Shareholders.

F. INFORMATION OF THE GROUP AND MS. CHAN

Information of the Group

The Group is principally engaged in property investment and development, brokerage, securities investment, money lending and cosmetics distribution and trading. CEL is an investment holding company incorporated in Hong Kong with provision of management services to its group companies and a direct wholly-owned subsidiary of the Company.

LETTER FROM THE BOARD

Information of Ms. Chan

Ms. Chan is an executive Director and a trustee of the substantial shareholders of the Company (who are her minor children) who indirectly holds an aggregate of approximately 74.99% of the total issued share capital of the Company as at the Latest Practicable Date. Ms. Chan is 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 and the Chairman of the Board) and the sister-in-law of Ms. Amy Lau, Yuk-wai (a non-executive Director).

G. LISTING RULES IMPLICATION

Ms. Chan, an executive Director and a trustee of the substantial shareholders of the Company (who are her minor children), indirectly holds an aggregate of approximately 74.99% of the total issued share capital of the Company as at the Latest Practicable Date. Therefore, Ms. Chan is a connected person of the Company. Accordingly, the Contract and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Rule 14A.31 of the Listing Rules. As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Caps under the Contract are more than 5% on an annual basis, the transactions contemplated under the Contract are subject to reporting, announcement, circular, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

H. 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 established to consider the Contract and to advise and make recommendations to the Independent Shareholders as to how to vote at the SGM on the resolution in relation to the Contract. No member of the Independent Board Committee has any material interest in the Contract and the transactions contemplated thereunder.

The Company has, with the approval of the Independent Board Committee, appointed Gram Capital as the Independent Financial Adviser in accordance with the requirements under the Listing Rules to advise the Independent Board Committee and the Independent Shareholders on the terms of the Contract and the transactions contemplated thereunder (including the Caps, where applicable).

I. SGM

The SGM will be convened and held at The Air, L16, The ONE, 100 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Wednesday, 28 October 2020 at 10:00 a.m. for, among other things, the Independent Shareholders to approve the Contract and the transactions contemplated thereunder (including the Caps, where applicable).

LETTER FROM THE BOARD

Any Shareholder with a material interest in the Contract and his/her/its associate(s) are required to abstain from voting on the resolution approving the Contract and the transactions contemplated thereunder (including the Caps, where applicable) in accordance with the Listing Rules. At the SGM, Ms. Chan, her associate(s) and relative(s) (if they hold any Shares), being interested in an aggregate of 1,499,236,593 Shares, representing approximately 78.59% of the total issued share capital of the Company as at the Latest Practicable Date, will abstain from voting on the resolution to be proposed to approve the Contract and the transactions contemplated thereunder to avoid any actual and potential conflict of interest. Any vote exercised by the Independent Shareholders at the SGM shall be taken by poll. An ordinary resolution will be put to the vote by poll at the SGM pursuant to the Listing Rules. A notice of the SGM is set out on pages SGM-1 to SGM-3 of this circular.

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.

To prevent and control the spread of COVID-19, the Company will implement precautionary measures at the SGM, including:

- compulsory body temperature checks and health declarations
- mandatory wearing of masks at all times
- no refreshments and corporate gifts

Details of the precautionary measures are set out on page SGM-3 of this circular. Any person who does not comply with such precautionary measures will be denied entry into the meeting venue. **Shareholders are recommended to appoint the chairman of the meeting as their proxy to vote on the relevant resolution instead of attending the meeting in person.**

J. 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 Contract and the Services as well as the principal factors and reasons considered by it in arriving at such advice set out on pages IFA-1 to IFA-16 of this circular.

LETTER FROM THE BOARD

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 from Gram Capital) considered that (i) the Contract is on normal commercial terms and the terms of the Contract and the Caps are fair and reasonable; (ii) the provision of the Services (other than household management and maintenance services under the Asset Management and Maintenance Services, the Property Administration Services, the Rental Services and the Advisory and Consultancy Services) contemplated under the Contract are in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. Having considered the reasons and benefits in respect of the provision of household management and maintenance services under the Asset Management and Maintenance Services, the Property Administration Services, the Rental Services and the Advisory and Consultancy Services as mentioned above, 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 from the Independent Financial Adviser) is of the view that, although the provision of such services contemplated under the Contract are not in the ordinary and usual course of business of the Group, the terms of such services are fair and reasonable so far as the Group are concerned and on normal commercial terms, 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 Contract and the Services at the SGM.

K. GENERAL

Shareholders and potential investors of the Company should note that the Contract and the transactions contemplated thereunder (including the Caps) are subject to the Condition, namely the obtaining of the approval by the Independent Shareholders at the SGM in accordance with the Listing Rules, being fulfilled/satisfied. Therefore, the Contract and the transactions contemplated thereunder may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and, in case of doubt, to seek independent advice from professional or financial advisers.

L. ADDITIONAL INFORMATION

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

Yours faithfully,

By order of the Board

Lam, Kwong-wai

Executive Director and Company Secretary

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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



CHINESE ESTATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 127)

7 October 2020

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS CONTRACT FOR SERVICES

We refer to the circular issued by the Company to its Shareholders dated 7 October 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.

Ms. Chan, an executive Director and a trustee of the substantial shareholders of the Company (who are her minor children), indirectly holds an aggregate of approximately 74.99% of the total issued share capital of the Company as at the Latest Practicable Date. Therefore, Ms. Chan is a connected person of the Company. Accordingly, the Contract and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Rule 14A.31 of the Listing Rules. As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Caps under the Contract are more than 5% on an annual basis, the transactions contemplated under the Contract are subject to reporting, announcement, circular, Independent Shareholders’ approval and annual review requirements under Chapter 14A of the Listing Rules.

We have been appointed by the Board to consider the terms of the Services as contemplated under the Contract and to advise the Independent Shareholders in connection therewith and as to whether, in our opinion, the terms of the Services as contemplated under the Contract are fair and reasonable, and whether the Services as contemplated under the Contract 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.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We wish to draw your attention to the letter from the Board and the letter from Gram Capital as set out in the Circular. Having considered the principal factors and reasons considered by, and the opinion and advice from, Gram Capital as set out in its letter of advice, we consider that (i) the Contract is on normal commercial terms and the terms of the Contract and the Caps are fair and reasonable; (ii) the provision of the Services (other than household management and maintenance services under the Asset Management and Maintenance Services, the Property Administration Services, the Rental Services and the Advisory and Consultancy Services) contemplated under the Contract are in the ordinary and usual course of business of the Group and are in the interests of the Company and its Shareholders as a whole. Having considered the reasons and benefits in respect of the provision of household management and maintenance services under the Asset Management and Maintenance Services, the Property Administration Services, the Rental Services and the Advisory and Consultancy Services as mentioned in the Circular, we are of the view that, although the provision of such services contemplated under the Contract are not in the ordinary and usual course of business of the Group, the terms of such services are fair and reasonable so far as the Group are concerned and on normal commercial terms, and 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 Contract and the Services at the SGM.

Yours faithfully,

For and on behalf of

Independent Board Committee

Phillis Loh, Lai-ping

Independent Non-executive Directors

Chan, Kwok-wai

Ma, Tsz-chun

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Contract and the transactions contemplated thereunder 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

7 October 2020

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

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS CONTRACT FOR SERVICES

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 Contract and the transactions contemplated thereunder (the “CCTs”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 7 October 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 14 August 2020, CEL, a direct wholly-owned subsidiary of the Company, and Ms. Chan entered into the Contract in respect of the provision of the Services to Ms. Chan and/or the Chan Associates. Subject to the Condition, namely the obtaining of the approval by the Independent Shareholders at the SGM in accordance with the Listing Rules, being fulfilled/satisfied, the term of the Contract will commence on 1 November 2020 for 3 years unless otherwise terminated earlier in accordance with the Contract.

With reference to the Board Letter, the CCTs constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. Accordingly, the CCTs are subject to reporting, announcement, circular, Independent Shareholders’ approval and annual review requirements under the Listing Rules.

LETTER FROM GRAM CAPITAL

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 CCTs are on normal commercial terms and in the ordinary and usual course of business of the Group; (ii) whether the terms of the CCTs (including the Caps) are fair and reasonable and 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 Contract and the CCTs 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.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as independent financial adviser in respect of the major and connected transaction of the Company as set out in the Company's circular dated 28 February 2020. Notwithstanding the aforesaid past engagement, as at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company, or any other parties that could be reasonably regarded as a hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

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 Contract and the CCTs. 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 2018 and 2019 and the six months ended 30 June 2020, review of the Contract, review of the Caps 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.

LETTER FROM GRAM CAPITAL

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, CEL, Ms. Chan 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 CCTs. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background of and reasons for the CCTs

Information of the Group

With reference to the Board Letter, the Group is principally engaged in property investment and development, brokerage, securities investment, money lending and cosmetics distribution and trading. CEL is an investment holding company incorporated in Hong Kong with provision of management services to its group companies and a direct wholly-owned subsidiary of the Company.

LETTER FROM GRAM CAPITAL

Set out below is a summary of the consolidated financial information of the Group for each of the two years ended 31 December 2018 and 2019 as extracted from the Company's annual report for the year ended 31 December 2019 (the "**2019 Annual Report**") and for the six months ended 30 June 2020 as extracted from the Company's interim report for the six months ended 30 June 2020 (the "**2020 Interim Report**"):

	For the six months ended 30 June 2020	For the year ended 31 December 2019	For the year ended 31 December 2018	Change from 2018 to 2019
	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (audited)	<i>HK\$'000</i> (audited)	%
Revenue	222,679	538,986	843,618	(36.11)
– <i>Property development and trading</i>	<i>Nil</i>	<i>Nil</i>	273,989	(100.00)
– <i>Property leasing (for retail and non-retail)</i>	211,450	522,963	544,533	(3.96)
– <i>Investments and treasury products at fair value through profit or loss</i>	3,016	<i>Nil</i>	<i>Nil</i>	<i>N/A</i>
– <i>Unlisted investments, investment holding and brokerage</i>	2,898	5,256	14,073	(62.65)
– <i>All other segments</i>	5,315	10,767	11,023	(2.32)
Gross profit	205,371	511,451	719,111	(28.88)
Profit for the period/year attributable to the owners of the Company	785,931	790,167	1,015,290	(22.17)

As depicted from the above table, the Group's revenue amounted to approximately HK\$539.0 million for the year ended 31 December 2019 ("**FY2019**"), representing a decrease of approximately 36.11% as compared to that for the year ended 31 December 2018 ("**FY2018**"). With reference to the 2019 Annual Report, such decrease in the Group's revenue was mainly due to no property sales in FY2019. The Group's profit attributable to the owners of the Company for FY2019 amounted to approximately HK\$790.2 million, representing a decrease of approximately 22.17% as compared to that for FY2018. With reference to the 2019 Annual Report, such decrease was mainly due to (i) no dividend income recognised from the shares of China Evergrande Group (stock code: 3333) in FY2019; (ii) fair value changes of investment properties turning to loss in FY2019; (iii) recognition of impairment loss of goodwill in FY2019; and (iv) no attributable property sales profit was recognised in FY2019.

With reference to the 2020 Interim Report, as COVID-19's duration is unpredictable and the extent of its impact is not easy to determine under this volatile situation of the pandemic, it is believed that COVID-19 will continue to affect the Group's businesses for a period of time. The Group will keep an eye on the underlying political tensions as well as the recent spike in local infection cases of COVID-19, and be cautiously and watchfully whenever any investment decisions will be made.

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Information of Ms. Chan

With reference to the Board Letter, Ms. Chan is an executive Director and a trustee of the substantial shareholders of the Company (who are her minor children) who indirectly holds an aggregate of approximately 74.99% of the total issued share capital of the Company as at the Latest Practicable Date. Ms. Chan is 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 and the Chairman of the Board) and the sister-in-law of Ms. Amy Lau, Yuk-wai (a non-executive Director).

Reasons for and benefits of the CCTs

With reference to the Board Letter, the Contract will generate income to the Group as the Group will receive the Service Charges with a guaranteed rate of mark up for profit for the Services (other than the Relevant Property Management Services and the Other Ordinary Services), which is favourable to the Group. The Company considered that the mark up for profit for the Services (other than the Relevant Property Management Services and the Other Ordinary Services) are favourable on the basis that (i) the rate of manager's remuneration of 15% is higher than (a) the rate charged for similar services offered by the Group to independent third-party customers; and (b) prevailing market rate for similar services charged by other service providers; (ii) the charges for the Rental Services are made at least 30% above estimated market rental; and (iii) for other services charged at cost plus the Margin (no less than 30%), as there were no comparable services offered by the Group to independent third-party customers and the Company could not identify precisely comparable services offered in the market (taking into account the integrated and comprehensive services (i.e. the Services other than certain Property Management Services, the Rental Services and the Other Ordinary Services) covering legal, leasing, marketing, accounting, taxation, human resources and information technology aspects) based on published information, by comparing with margin charged by other listed companies in respect of provision of services to connected persons, the Margin of no less than a rate of 30% is relatively high.

Please refer to our analysis on the 15% Charge Rate (as defined below) and the Margin of no less than 30% as set out under the section headed "2. Principal terms of the Contract" below.

As regards the Relevant Property Management Services and the Other Ordinary Services, such services will be provided in the ordinary and usual course of business of the Group on terms no less favourable than those offered to independent third parties for similar services. The terms of the Contract (including the basis of the Service Charges and, where applicable, the guaranteed rate of the Margin) are arrived at after arm's length negotiation and with no unusual or onerous obligations on the part of CEL.

LETTER FROM GRAM CAPITAL

Having considered that (i) the Contract will generate income to the Group; (ii) the Group will receive the Service Charges with a guaranteed rate of mark up for profit for the Services (other than the Relevant Property Management Services and the Other Ordinary Services), which is favourable to the Group; and (iii) the Relevant Property Management Services and the Other Ordinary Services will be provided in the ordinary and usual course of business of the Group on terms no less favourable than those offered to independent third parties for similar services, we concur with the Directors that:

- (i) the provision of the Services (other than household management and maintenance services under the Asset Management and Maintenance Services, the Property Administration Services, the Rental Services and the Advisory and Consultancy Services) contemplated under the Contract are in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; and
- (ii) although the provision of household management and maintenance services under the Asset Management and Maintenance Services, the Property Administration Services, the Rental Services and the Advisory and Consultancy Services under the Contract are not in the ordinary and usual course of business of the Group, they are in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the Contract

Date

14 August 2020

Parties

- (a) CEL; and
- (b) Ms. Chan.

Term

Subject to the Condition, namely the obtaining of the approval by the Independent Shareholders at the SGM in accordance with the Listing Rules, being fulfilled/satisfied, the term of the Contract will commence on 1 November 2020 for 3 years unless otherwise terminated earlier.

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Services to be provided by the CEL Companies

With reference to the Board Letter, CEL shall provide (or procure the provision of) (1) the Leasing Administration Services; (2) the Sale Administration Services; (3) the Property Management Services; (4) the Property Administration Services; (5) the Asset Management and Maintenance Services; (6) the Rental Services; (7) the Advisory and Consultancy Services; and (8) the Other Ordinary Services to Ms. Chan and/or the Chan Associates on the terms and conditions of the Contract and the standard terms and conditions of the relevant CEL Companies from time to time in force.

Details of the Services to be provided by CEL Companies are set out under the sub-section headed "Services to be provided by CEL Companies" under the section headed "B. THE CONTRACT" of the Board Letter.

The Service Charges

In respect of all of the Services (other than the Property Management Services, the Rental Services and the Other Ordinary Services)

With reference to the Board Letter, Ms. Chan shall pay (or procure payment) to CEL (or any of the other CEL Companies as CEL may direct) charges calculated at such hourly charge-out rates (being cost plus the Margin) as may be specified by CEL from time to time in relation to the time spent by the staff and/or representatives of the CEL Companies in providing such services.

As there were no comparable services offered by the Group to independent third-party customers and the Company could not identify precisely comparable services offered in the market (taking into account the integrated and comprehensive services (i.e. the Services other than certain Property Management Services, the Rental Services and the Other Ordinary Services) covering legal, leasing, marketing, accounting, taxation, human resources and information technology aspects) based on published information, the Margin of no less than a rate of 30% is arrived at after arms' length negotiation and determined with reference to (i) the same margin rate as adopted under the Existing Contract; and (ii) a margin rate of not less than the margin charged by other listed companies in respect of provision of services to connected persons, including advisory and administrative services, construction and maintenance services, processing services and operation management services, of which the fee of processing services and operation management services are determined with reference to labour costs/salaries of the operation staff plus a margin.

The reason for adoption of cost plus the Margin basis for all the Services (other than certain Property Management Services, the Rental Services and the Other Ordinary Services) is that the rendering of such services involve manpower work so that using hourly charge-out rates as the basis would facilitate the calculation of the cost for provision of such services. Such hourly charge-out rates (inclusive of the Margin) are subject to revision or adjustment by CEL in its sole and absolute discretion, including without limitation addition or reduction of staff and adjustment of hourly charge-out rates, from time to time.

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Upon our enquiry, the Directors advised us that when considering the charge-out rates (inclusive of the Margin), the Company was of the view that it is necessary for the Group to charge the cost and it is reasonable for the Group to charge the Margin of no less than 30%.

Pursuant to the Contract, CEL shall have the right to determine at any time in its absolute discretion (a) whether to provide or continue to provide or suspend any services (which would otherwise fall within the scope of the Services) and (b) on what terms, within what scope and to what extent such services will be provided, to the extent that such services are: (i) services which in the sole opinion of CEL will be unduly burdensome or will otherwise cause significant interruption or inconvenience to the business of the Group; or (ii) services in the sole opinion of CEL as and when the aggregate Service Charges payable by Ms. Chan and/or the Chan Associates exceeds or may exceed the Cap for the respective period or financial year as approved by the Independent Shareholders and announced by the Company from time to time.

In order words, the Group will provide the Services when it has sufficient capacity. Therefore, it is reasonable for the Group to utilize its capacity and charge the cost plus the Margin so as to generate more income for the Group.

For our due diligence purpose, we obtained from the Company certain staff cost records and billing records in respect of the services provided under the Existing Contract during 2019 and 2020 and noticed from such records that the charges of such services are calculated based on relevant staff cost (including salary, employee benefits and office area they occupied), which is consistent with the staff cost record, plus the Margin. Such charges comply with the above-mentioned charging basis.

In respect of the Property Management Services

With reference to the Board Letter, there are four types of charging bases for the provision of the Property Management Services to Ms. Chan and/or the Chan Associates as property owner(s) in relation to (A) the Southorn Centre Properties, the Silvercord Properties, The ONE Properties, the Windsor House Properties and the Josephine Court Properties; (B) the Excelsior Properties; (C) the York Place Properties; and (D) the Properties other than those mentioned in (A) to (C) above (the “**Other Properties**”), respectively. Details of the aforesaid charging bases are set out under the sub-section headed “The Service Charges – In respect of the Property Management Services” under the section headed “B. THE CONTRACT” of the Board Letter.

We noticed that the aforesaid charging bases are associated with (a) manager’s remuneration at a charge rate of 15% (the “**15% Charge Rate**”) of the aggregate of (1) the total expenses, costs and charges necessarily and reasonably incurred in the management of such properties for the relevant period/year (including without limitation site staff costs, but excluding certain specified costs (such as the property management fee paid to other property management companies for and on behalf of property owners)); and (2) the total amount of charges calculated at the hourly charge-out rates (being at cost); and/or (b) hourly charge-out rates (being cost plus the Margin (no less than a rate of 30%)).

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With reference to the Board Letter, 15% Charge Rate is determined based on (i) the same rate as adopted under the Existing Contract; (ii) the rate of not less than the rate charged for similar services offered by the Group to independent third-party customers at comparable scale (where applicable); and (iii) a rate of not less than the prevailing market rate for similar services provided by other service providers.

Upon our enquiry, the Directors advised us that the Company conducted a research on current market practice of manager's remuneration for property management services. Based on the research, the manager's remuneration of other property management services providers ranged from 7.5% to 10%. In addition, Perfect World Company Limited ("**Perfect World**") which is an indirect wholly-owned subsidiary of the Company and principally engaged in provision of property management services, charges manager's remuneration for provision of property management services to independent third parties. For our due diligence purpose, we obtained a list of manager's remuneration charged by Perfect World for provision of property management services to independent third parties, with supporting documents. We noticed from the aforesaid list and supporting documents that Perfect World charges manager's remuneration for provision of property management services to independent third parties from 5% to 10%.

Accordingly, we consider the 15% Charge Rate to be favourable to the Group. In addition, having considered the justification for the Margin as mentioned above, we also consider the Margin to be reasonable.

The charging basis for the provision of the Property Management Services in relation to (A) the Southorn Centre Properties, the Silvercord Properties, The ONE Properties, the Windsor House Properties and the Josephine Court Properties, involves the 15% Charge Rate which we considered to be favourable to the Group. Accordingly, we consider such charging basis to be fair and reasonable.

The charging basis for the provision of the Property Management Services in relation to (B) the Excelsior Properties, involves (i) charges in accordance with the terms of the Sub-DMC, which are determined based on mechanism for comparable services offered by the Group under the Sub-DMC to independent third-party customers; (ii) the 15% Charge Rate which we considered to be favourable to the Group; and (iii) the Margin which we considered to be reasonable. Accordingly, we consider such charging basis to be fair and reasonable.

Upon our enquiry, the Directors advised us that the Excelsior Street Shops and the York Place Properties only require ad-hoc property management services (such as ad-hoc repairment) instead of comprehensive property management services at all time. Accordingly, the Property Management Services in relation to the Excelsior Street Shops and the York Place Properties are not necessary to be charged on manager's remuneration basis. Having also considered that the rendering of the ad-hoc property management services (such as ad-hoc maintenance) involves manpower work, we consider that it is reasonable for such services to be charged on hourly charge-out rates (being cost plus the Margin) basis.

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In respect of the Property Management Services in relation to the Other Properties, the Directors advised us that the Other Properties have not been determined yet as at the Latest Practicable Date. As advised by the Directors, the Other Properties may be commercial or residential properties. Subject to the scope of services required, the Property Management Services may be charged at 15% Charge Rate for manager's remuneration basis (for comprehensive property management services) or hourly charge-out rates (being cost plus the Margin) basis. The commercial or residential nature of the properties will not affect the charging basis. Accordingly, it is reasonable to allow flexibility for CEL and Ms. Chan to determine a suitable charging basis (to be chosen from any of the existing applicable bases) when the Other Properties are determined.

In respect of the Rental Services

With reference to the Board Letter, Ms. Chan shall pay (or procure payment) to CEL (or any of the other CEL Companies as CEL may direct) charges calculated based on the estimated market rental of the relevant Rental Services from time to time plus the Margin. Such estimated market rental is determined with reference to valuation on a fair market rent basis carried out by independent professional valuer on a regular basis and at least annually. The Margin provides the charge for the Rental Services of at least 30% above the estimated market rental and is a term favourable to the Group. The said estimated market rental and the Margin are subject to revision or adjustment by CEL in its sole and absolute discretion from time to time.

As the above charges are calculated based on the estimated market rental of the relevant Rental Services and the estimated market rental is determined with reference to valuation on a fair market rent basis carried out by independent professional valuer on a regular basis (which can ensure the fairness of the estimated market rental), we consider the Margin charged on top of the estimated market rental is favourable to the Group.

For our due diligence purpose, we obtained from the Company certain billing records and relevant valuation reports in respect of the rental services provided under the Existing Contract during 2019 and 2020 and noticed from such records that such charges are equivalent to the fair market rent according to relevant valuation report(s) plus the Margin. Such charges comply with the above-mentioned charging basis.

In respect of the Other Ordinary Services

With reference to the Board Letter, Ms. Chan shall pay (or procure payment) to CEL (or any of the other CEL Companies as CEL may direct) charges as may be specified by CEL in its sole and absolute discretion from time to time calculated at a standardised rate or a rate no less favourable than the charges charged to independent third parties in the ordinary and usual course of business for the provision of similar services of comparable type and transaction amounts.

With reference to the Board Letter, such Other Ordinary Services shall be the Group's principal activities, such as brokerage and margin financing, and money lending. For avoidance of doubt, the Other Ordinary Services will not include any non-principal activities of the Group. CEL Company is currently providing brokerage services under the Existing Contract and currently expect that CEL Company may provide such brokerage services to Ms. Chan and/or the Chan Associates under the Contract. When determining the commission rate charged to the clients, the

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CEL Company has a policy in place for charging different commission rate for clients of different trading volume. Clients of larger trading volume are charged at a lower commission rate and vice versa. Currently Ms. Chan has the largest trading volume and is charged with the lowest commission rate among the clients. The difference between the commission rate charged to Ms. Chan and independent third-party clients are comparable taking into consideration the difference in their trading volume. Ms. Chan is charged at a commission rate not less than a rate offered by other independent third-party banks to Ms. Chan. Responsible personnel in securities trading business conducts periodic review of commission rate charged to Ms. Chan and the rates offered by other independent third-party banks to Ms. Chan to ensure the rate is not less than the charges offered by independent third-party banks.

In the event that margin financing is provided to Ms. Chan and/or the Chan Associates, the loan size and interest rate will be determined based on financial condition, credit rating and trading record of the relevant client, the facility amount, underlying portfolio pledged to the CEL Companies, the margin ratio and market interest rate, the basis of which is under the same policy as to other independent third-party clients of CEL Companies. In the event that money lending service is provided to Ms. Chan and/or the Chan Associates, the loan size and interest rate will be determined based on the financial condition and credit rating of the relevant client, the collateral and personal guarantee (if any), use of proceeds and market interest rate, the basis of which is under the same policy as to other independent third-party clients of CEL Companies. For both the margin financing and money lending services, responsible personnel will also conduct periodic review of the rate charged to Ms. Chan and/or the Chan Associates (if any) and the rates offered by other independent third-party service provider to Ms. Chan and/or the Chan Associates (if any) to ensure the rate is not less than the charges offered by independent third-party service provider.

Upon our enquiry, the Directors advised us that when determining the commission rate charged to the clients, the Group considers the trading volume of the clients (i.e. lower commission rate is offered to clients with higher trading volume). The commission rate charged to Ms. Chan is comparable to the commission rates charged to independent third parties after taking into account the trading volume of Ms. Chan.

For our due diligence purpose, we obtained from the Company trading records of Ms. Chan and certain other clients who are not connected persons of the Company, during January to July 2020. We noted from such trading records that, although the commission rate charged to Ms. Chan was lower than that of the other clients who are not connected persons of the Company, the trading volume of Ms. Chan is significantly higher than that of such other clients (over 27 times). We also noticed that the commission rate charged to Ms. Chan is consistent with the commission scale as set out under the CEL Company's policy in place.

Having considered the above, we are of the view that the commission rate charged to Ms. Chan to be fair and reasonable.

We also consider the charging basis on other services (if any) under the Other Ordinary Services (whereas Ms. Chan and/or the Chan Associates will be charged on basis under the same policy as to other independent third-party clients of CEL Companies) as stated above to be fair and reasonable.

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Reimbursement for costs and expenses

In addition to the payment of the Service Charges above, Ms. Chan shall also bear and reimburse (or procure reimbursement to) CEL (or any of the other CEL Companies as CEL may direct) for all costs and expenses incurred by the CEL Companies for the provision of the Services.

With reference to the 2019 Annual Report and as confirmed by the Directors, having reviewed the continuing connected transactions contemplated under the Existing Contract, the independent non-executive Directors, pursuant to rule 14A.55 of the Listing Rules on the requirement to carry out an annual review on the continuing connected transactions, confirmed that the transactions were made in the ordinary and usual course of business of the Company (other than household management and maintenance services under the asset management and maintenance services, the property administration services, the rental services and the advisory and consultancy services under the Existing Contract), on normal commercial terms and in accordance with the Existing Contract on terms that were fair and reasonable and in the interests of the Shareholders as a whole. Having considered the reasons and benefits in respect of the provision of household management and maintenance services under the asset management and maintenance services, the property administration services, the rental services and the advisory and consultancy services under the Existing Contract as mentioned in the Company's announcement dated 31 October 2017, the independent non-executive Directors were of the view that, although the provision of such services contemplated under the Existing Contract were not in the ordinary and usual course of business of the Group, the terms of such services were fair and reasonable so far as the Group were concerned and on normal commercial terms, and were in the interests of the Company and the Shareholders as a whole.

With reference to the 2019 Annual Report and as confirmed by the Directors, the Company's auditors, pursuant to Rule 14A.56 of the Listing Rules, confirmed in their letter made in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants that the continuing connected transactions contemplated under the Existing Contract had received the approval of the Board, were in accordance with the pricing policies of the Company, had been entered into in accordance with the Existing Contract and had not exceeded the relevant cap.

With reference to the Board Letter, the Group has adopted internal control measures over the CCTs as set out under the section headed "E. INTERNAL CONTROL" of the Board Letter. We consider the effective implementation of the internal control measures would help to ensure fair pricing of the CCTs in compliance with its pricing policy.

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3. The caps of the CCTs

Set out below are the historical amount and caps of the services provided under the Existing Contract:

	For the period from 1 November 2017 to 31 December 2017	For FY2018	For FY2019	For the period from 1 January 2020 to 31 October 2020
Historical amount	HK\$8,382,231	HK\$50,035,683	HK\$44,593,141	HK\$20,831,830 <i>(Note)</i>
Existing caps	HK\$19,386,301	HK\$116,000,000	HK\$116,000,000	HK\$96,666,667

Note: This figure is for the six months ended 30 June 2020.

With reference to the Board Letter, having considered (i) the historical amounts received by the Group for the services under the Existing Contract; (ii) the estimated Service Charges for the Services to be provided under the Contract; and (iii) allowing a reasonable buffer for any upward adjustments on the Service Charges charged by CEL (including due to inflation or otherwise), the Board proposed that the aggregate Service Charges for all the Services under the Contract shall not exceed the Caps for the respective period or financial year below:

	For the period from 1 November 2020 to 31 December 2020	For the financial year ending 31 December 2021	For the financial year ending 31 December 2022	For the period from 1 January 2023 to 31 October 2023
The Caps	HK\$9,800,000	HK\$59,400,000	HK\$62,400,000	HK\$54,600,000

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With reference to the Board Letter, the Caps are sub-divided as follows:

	For the period from 1 November 2020 to 31 December 2020	For the financial year ending 31 December 2021	For the financial year ending 31 December 2022	For the period from 1 January 2023 to 31 October 2023
For	HK\$7,500,000	HK\$46,400,000	HK\$48,700,000	HK\$42,600,000
– Leasing Administration Services				
– Sale Administration Services				
– Property Management Services				
– Property Administration Services				
– Asset Management and Maintenance Services				
For Rental Services	HK\$1,200,000	HK\$7,000,000	HK\$7,400,000	HK\$6,500,000
For Advisory and Consultancy Services	HK\$100,000	HK\$100,000	HK\$100,000	HK\$100,000
For Other Ordinary Services	HK\$1,000,000	HK\$5,900,000	HK\$6,200,000	HK\$5,400,000

Given that the utilisation rates of the existing caps under the Existing Contract for the period from 1 November 2017 to 31 December 2017, FY2018 and FY2019 were below 50%, it is reasonable for the Company to set the Caps at lower levels.

For our due diligence purpose, we obtained the calculation of the Caps for the period from 1 November 2020 to 31 October 2023 (the “**Calculation**”). The Calculation was based on:

- (i) applying the historical highest monthly service charges for each of the services under the Existing Contract in the past 12 months (i.e. July 2019 to June 2020) when the Caps were being considered as the estimated base monthly Service Charges (except for the Sale Administration Services and the Asset Management and Maintenance Services which were not provided during the past 12 months);
- (ii) arriving the estimated base monthly Service Charges for the Sale Administration Services and the Asset Management and Maintenance Services based on the Company’s experience and judgement;
- (iii) 5% possible inflation per annum for the financial year ending 31 December 2021, the financial year ending 31 December 2022 and the period from 1 January 2023 to 31 October 2023; and
- (iv) 10% buffer for unexpected increase in the Service Charges.

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Upon our enquiry, the Directors advised us that there is no seasonal factor associated with the provision of the Services. We also checked the historical monthly service charges record as provided by the Company for each of the services under the Existing Contract in the past 12 months (i.e. July 2019 to June 2020 when the Caps were being considered). The historical highest monthly service charges mentioned in factor (i) above are consistent with the historical record. In addition, we noted from the Calculation that the estimated base monthly Service Charges for each of the Sale Administration Services and the Asset Management and Maintenance Services is HK\$100,000, which is a moderate amount. Based on the above, we consider factors (i) and (ii) above to be reasonable.

In respect of factor (iii) above, we researched over the internet and noted from the statistics published by the Census and Statistics Department of Hong Kong Special Administrative Region that, from 2010 to 2019, the year-on-year increase of the composite consumer price index ranged from 1.5% to 5.3%. Accordingly, we consider the application of 5% possible inflation per annum under the Calculation to be reasonable.

In addition, we consider the 10% buffer (to cater for unforeseeable circumstances which may lead to unexpected increase in the Service Charges) to be reasonable as it is a commonly used buffer rate.

Having considered the above basis for determining the Caps and the Calculation, we are of the view that the Caps for the period from 1 November 2020 to 31 October 2023 are fair and reasonable.

Shareholders should note that as the Caps for the respective period or financial year are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 October 2023, they do not represent forecasts of income to be generated from the CCTs. Consequently, we express no opinion as to how closely the actual income to be generated from the CCTs will correspond with the Caps.

Having considered the charging bases of the CCTs and the Caps for the period from 1 November 2020 to 31 October 2023 as aforementioned, we are of the view that the terms of the CCTs are on normal commercial terms and are fair and reasonable.

4. Listing Rules implication

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the CCTs must be restricted by the Caps for the period concerned under the Contract; (ii) the terms of the CCTs must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Contract must be included in the Company's subsequent published annual reports. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the CCTs (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group; (iii) were not entered into, in all material respects, in accordance with the Contract; and (iv) have exceeded the Caps. In the event that the total amounts of the CCTs exceed the Caps, or that there is any material amendment to the terms of the Contract, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

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Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the CCTs and thus the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the CCTs under the Contract are on normal commercial terms and are fair and reasonable; (ii) the CCTs (other than household management and maintenance services under the Asset Management and Maintenance Services, the Property Administration Services, the Rental Services and the Advisory and Consultancy Services) are 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; and (iii) although the provision of household management and maintenance services under the Asset Management and Maintenance Services, the Property Administration Services, the Rental Services and the Advisory and Consultancy Services (as part of the CCTs) are not in the ordinary and usual course of business of the Group, they are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Contract and the CCTs 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

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

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

Note:

- # These Shares were indirectly owned by Sino Omen, the entire issued share capital of which was held by Ms. Chan as trustee for her minor children Lau, Chung-hok, Lau, Sau-wah and Lau, Sau-ye. Sino Omen held the entire issued share capital of Solar Bright. Solar Bright held the entire issued share capital of Century Frontier and JLLH Investments and therefore was deemed to be interested in 476,425,000 Shares held by Century Frontier and 230,984,820 Shares held by JLLH Investments respectively. In addition, Solar Bright directly held 723,290,948 Shares. As such, Solar Bright was interested or deemed to have interested in a total of 1,430,700,768 Shares. Therefore, Ms. Chan was also deemed to be interested in 1,430,700,768 Shares.

(ii) Associated corporations of the Company

Name of Director	Name of Associated Corporations	Number of Shares Held	<i>Note</i>	Capacity	Percentage of Issued Share Capital
Ms. Chan	Sino Omen	50,000	*	Interest of children under 18	100%
Ms. Chan	Solar Bright	1	*	Interest in controlled corporation and interest of children under 18	100%

Note:

- * Ms. 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. Chan 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 is a director of Sino Omen, Solar Bright, Century Frontier and JLLH Investments (all of them are 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 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 tenancy agreement dated 28 February 2019 entered into between CEL as tenant and Windsor House Limited (“WHL”) (a connected person of the Company) as landlord in relation to the leasing of the whole of 17th floor of Chubb Tower, Windsor House at a monthly rental 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 (a connected person of the Company) 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. Subsequently, a tenancy agreement in relation thereto was entered into on 18 October 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 UBS AG Hong Kong Branch 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;
- (d) the sale and purchase agreement dated 10 January 2020 entered into between Current Sino Limited (an indirect wholly-owned subsidiary of the Company) as purchaser and Mr. Tang Shing Bor (an independent third party to the Company) as 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 as disclosed in the announcement of the Company dated 10 January 2020;
- (e) the disposal agreement dated 29 January 2020 entered into between Chase Master Company Limited (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. 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; and
- (f) the tenancy agreement dated 12 June 2020 entered into between CEL as tenant and WHL (a connected person of the Company) 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.

6. INTEREST IN ASSETS OR CONTRACTS

- (a) Save for the agreements disclosed in (a), (b), (e) and (f) under the paragraph headed “Material Contracts” in this appendix and the Contract, as at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which have since 31 December 2019, being the date to which the latest audited financial statements of the Company for the year ended 31 December 2019 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), (b), (e) and (f) under the paragraph headed “Material Contracts” in this appendix and the Contract, 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. DIRECTORS’ INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, Ms. Chan, Sze-wan, Ms. 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. 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 and the form of proxy shall prevail over the Chinese text in the case of inconsistency.

9. 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 2019, being the date on which the latest published audited financial statements of the Group for the year ended 31 December 2019 was made up to, up to and including the Latest Practicable Date, except:

- (a) as disclosed in the interim report for the six months ended 30 June 2020 of the Company published on 23 September 2020, the Group recorded (i) a decrease of 17.5% in revenue for the six months ended 30 June 2020 as compared to corresponding period in 2019; (ii) profit attributable to owners of the Company for the six months ended 30 June 2020 of approximately HK\$785.9 million as compared to approximately HK\$844.9 million for the same period of last year; and (iii) other comprehensive expenses attributable to owners of the Company for the six months ended 30 June 2020 of approximately HK\$1,659.0 million (2019: HK\$1,019.2 million);
- (b) the payment of the final dividend for the year ended 31 December 2019 of approximately HK\$19.1 million on 11 June 2020, which had reduced the working capital, total assets and net assets of the Group when compared to those as at 31 December 2019;
- (c) as disclosed in the discloseable transaction announcement of the Company published on 10 January 2020 in respect of the acquisition of the remaining 49% of the entire issued share capital of Landrich (H.K.) Limited and the sale loan, which was completed on 28 February 2020. The net cash outflow arising from the acquisition amounted to approximately HK\$352.4 million. Accordingly, the Group recorded a decrease in working capital; and
- (d) the anchor tenant of a property of the Group located in London was moved out in the first quarter of 2020 and a replacement tenant is not anticipated. It is expected that asset enhancement works of office accommodation will be carried out. 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.

10. 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:

Name	Qualification
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 2019, being the date to which the latest published audited financial statements of the Group for the year ended 31 December 2019 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.

11. 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) 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 2017, 2018 and 2019;
- (c) the interim report of the Company for the six months ended 30 June 2020;
- (d) the material contracts as referred to in the paragraph headed “Material Contracts” in this appendix;
- (e) the Contract;
- (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;
- (i) the circular of the Company dated 28 February 2020; and
- (j) this circular.

NOTICE OF THE SGM



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 Wednesday, 28 October 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 contract for services dated 14 August 2020 entered into between Chinese Estates, Limited and Ms. Chan, Hoi-wan (“**Ms. Chan**”) relating to, among others, certain services to be provided to Ms. Chan and/or the associate(s) and/or relative(s) of Ms. Chan (the “**Contract**”) (a copy of the Contract 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 (including the proposed annual caps as set out in the circular of the Company dated 7 October 2020) 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 authorized 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 Contract and to waive compliance from or make and agree such variations of a non-material nature to any of the terms of the Contract, 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, 7 October 2020

NOTICE OF THE SGM

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

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 22 October 2020 to 28 October 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 21 October 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 notarially certified copy thereof) must be deposited at the Company's branch registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the Meeting (or at any adjournment thereof).
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. 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.

NOTICE OF THE SGM

PRECAUTIONARY MEASURES FOR COVID-19 SITUATION

The health of our Shareholders, staff and stakeholders is of paramount importance to us. In view of the ongoing COVID-19 pandemic, the Company will implement the following precautionary measures at the Meeting to protect attendees from the risk of infection:

- (i) Compulsory body temperature checks will be conducted for every Shareholder, proxy and other attendee, and each attendee will have to complete and submit a health declaration form at the entrance of the Meeting venue;
- (ii) Each attendee is required to wear mask inside the meeting venue and throughout the Meeting, and to maintain a safe distance between seats;
- (iii) Anyone who does not comply with the aforesaid arrangement, or with a body temperature of over 37.3 degrees Celsius, or with any flu-like symptoms, or subject to quarantine, or who has had close contact with any person under quarantine or with recent travel history, or has travelled outside Hong Kong within 14 days immediately before the date of the Meeting will be denied entry into the Meeting venue or be required to leave the Meeting venue immediately. The Company reserves the right to deny entry of any person into the Meeting venue or require any person to leave the Meeting venue in order to ensure the safety of the attendees at the Meeting; and
- (iv) No refreshments will be served, and there will be no distribution of corporate gifts.

In addition, the Company reminds all Shareholders that **physical attendance in person at the Meeting is not necessary** for the purpose of exercising voting rights. **Shareholders are recommended to appoint the chairman of the Meeting as their proxy to vote on the relevant resolution at the Meeting instead of attending the Meeting in person, by completing and return the form of proxy in the prescribed form.**

If any Shareholder chooses not to attend the Meeting in person but has any question about any resolution or about the Company, or has any matter for communication with the Board of the Company, he/she is welcome to send such question or matter in writing to our principal office in Hong Kong or to our email at *investor.relations@chineseestates.com*.

If any Shareholder has any question relating to the Meeting, please contact Computershare Hong Kong Investor Services Limited, the Company's branch registrar and transfer office in Hong Kong as follows:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East, Wanchai, Hong Kong
Email: hkinfo@computershare.com.hk
Tel: (852) 2862 8555
Fax: (852) 2865 0990/(852) 2529 6087