
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of the Proposal, this Scheme Document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant, or other professional adviser.

If you have sold or transferred all your shares in **Chinese Estates Holdings Limited**, you should at once hand this Scheme Document and the accompanying forms of proxy to the purchaser or transferee or to the 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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This Scheme Document appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Offeror or Chinese Estates Holdings Limited. This Scheme Document is not for release, publication or distribution in or into any jurisdiction where to do so would constitute a violation of the relevant laws of such jurisdiction. Scheme Shareholders residing in jurisdictions other than Hong Kong should inform themselves about and observe all legal and regulatory requirements applicable to them. Overseas Shareholders are advised to read the paragraph headed “18. Overseas Shareholders” in the Explanatory Statement in Part VI of this Scheme Document for further information.



SOLAR BRIGHT LTD.

(Incorporated in the British Virgin Islands with limited liability)

CHINESE ESTATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 127)

(1) PROPOSED PRIVATISATION OF CHINESE ESTATES HOLDINGS LIMITED BY

SOLAR BRIGHT LTD.

BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 99 OF THE COMPANIES ACT AND

(2) PROPOSED WITHDRAWAL OF LISTING OF CHINESE ESTATES HOLDINGS LIMITED

Financial Adviser to the Offeror



Independent Financial Adviser to the Independent Board Committee



Unless the context otherwise requires, capitalised terms used in this Scheme Document shall have the same meaning as those defined in Part I of this Scheme Document.

A letter from the Board is set out in Part III of this Scheme Document. A letter from the Independent Board Committee containing its advice to the Disinterested Scheme Shareholders in respect of the Proposal and as to voting is set out in Part IV of this Scheme Document. A letter from Gram Capital, the Independent Financial Adviser to the Independent Board Committee, containing its advice to the Independent Board Committee in respect of the Proposal and as to voting is set out in Part V of this Scheme Document. An Explanatory Statement regarding the Proposal is set out in Part VI of this Scheme Document.

Notices convening the Scheme Meeting and the SGM to be held at Island Ballroom, Level 5, Island Shangri-La, Hong Kong, Two Pacific Place, Supreme Court Road, Central, Hong Kong on Friday, 17 December 2021 at 9:30 a.m. and 10:00 a.m. respectively (or in the case of the SGM, immediately after the conclusion or adjournment of the Scheme Meeting, whichever is later) are set out in Appendix VI and Appendix VII to this Scheme Document respectively. Whether or not you are able to attend the Scheme Meeting and/or the SGM, you are strongly urged to complete and sign the enclosed **pink** form of proxy in respect of the Scheme Meeting and the enclosed **white** form of proxy in respect of the SGM, in accordance with the instructions printed on them respectively, and to lodge them at the Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than the respective times and dates as stated in the section headed “ACTIONS TO BE TAKEN” of this Scheme Document. The **white** form of proxy in respect of the SGM will not be valid if it is not so lodged. The **pink** form of proxy in respect of the Scheme Meeting may alternatively be handed to the chairman of the Scheme Meeting at the Scheme Meeting (who shall have absolute discretion as to whether or not to accept it) if it is not so lodged. Completion and return of a form of proxy for the Scheme Meeting and/or the SGM will not preclude you from attending and voting at the relevant meeting or any adjournment thereof should you so wish, and in such event, the relevant form of proxy will be revoked by operation of law.

This Scheme Document is issued jointly by Solar Bright Ltd. and Chinese Estates Holdings Limited.

In case of any inconsistency, the English language text of this Scheme Document and the accompanying forms of proxy shall prevail over the Chinese language text.

24 November 2021

IMPORTANT NOTICE

PRECAUTIONARY MEASURES FOR THE SCHEME MEETING AND THE SGM

Please refer to the notices of the Scheme Meeting and the SGM set out in Appendices VI and VII of this Scheme Document respectively for precautionary measures being implemented by the Company in order to prevent and control the spread of the Coronavirus Disease 2019 (“**COVID-19**”) and to ensure the health and safety of all attendees at the Scheme Meeting and the SGM, including but not limited to: (i) compulsory body temperature checks; (ii) submission of health declaration form; (iii) scanning of the “Leave Home Safe” venue QR code or registering contact details in written form; (iv) compulsory wearing of masks for each attendee; and (v) no refreshments will be served and no corporate gifts will be given. Any person who does not comply with the precautionary measures or is subject to any Hong Kong government prescribed quarantine or has close contact with any person under quarantine will be denied entry into the meeting venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the meeting venue to the extent practicable. The Company reminds all Shareholders that they may exercise their right to vote at the relevant meeting(s) by appointing the chairman of the Scheme Meeting and/or of the SGM (as the case may be) as their proxy to vote on the relevant resolution(s) as an alternative to attending the relevant meeting(s) in person.

NOTICE TO OVERSEAS SHAREHOLDERS

The making of the Proposal to certain Scheme Shareholders may be subject to the laws of jurisdictions other than Hong Kong. Scheme Shareholders residing in jurisdictions other than Hong Kong should inform themselves about and observe all legal and regulatory requirements applicable to them. It is the responsibility of Scheme Shareholders to satisfy themselves as to the full observance of the laws of the relevant jurisdictions applicable to them in connection with the Proposal, as the case may be, including obtaining any governmental, exchange control or other consents, filings and/or registrations which may be required, and compliance with other necessary formalities and the payment of any issue, transfer or other taxes or expenses due from such Scheme Shareholders in such jurisdictions.

Any action taken by such Scheme Shareholders in respect of the Proposal will be deemed to constitute a representation and warranty from such persons to the Company and the Offeror that those local laws and requirements have been complied with.

Scheme Shareholders residing in jurisdictions other than Hong Kong should consult their own professional advisers if they are in any doubt as to the potential applicability of, or consequence under, any provision of law or regulation or judicial or regulatory decisions or interpretations in any jurisdictions, territory or locality therein or thereof and, in particular, whether there will be any restriction or prohibition on the acquisition, retention, disposal or otherwise with respect to the Shares, as the case may be.

Overseas Shareholders are advised to read the paragraph headed “18. Overseas Shareholders” in the Explanatory Statement in Part VI of this Scheme Document for further information.

IMPORTANT NOTICE

PAST PERFORMANCE AND FORWARD-LOOKING STATEMENTS

The performance and the results of operations of the Group contained in this Scheme Document are historical in nature and past performance is not a guarantee of the future results of the Group. This Scheme Document may contain forward-looking statements and opinions that involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions and you should not place undue reliance on such forward-looking statements and opinions. Subject to the requirements of applicable laws, rules and regulations, including the Takeovers Code, none of the Offeror, the Company, Southwest Securities, Gram Capital, any of their respective directors, officers, employees, agents, affiliates or advisers or any other persons involved in the Proposal assumes any obligation to correct or update the forward-looking statements or opinions contained in this Scheme Document.

ACTIONS TO BE TAKEN

ACTIONS TO BE TAKEN BY SHAREHOLDERS

Shareholders who are entitled to attend and vote at the Scheme Meeting and the SGM are those whose names appear on the register of members of the Company as at the Meeting Record Date. In order to qualify to vote at the Scheme Meeting and/or the SGM, all transfers of share ownership documents accompanied by the relevant share certificates must be lodged with the Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Monday, 13 December 2021. A subsequent purchaser of Shares will need to obtain the relevant proxy form(s) from the transferor if he or she wishes to attend or vote at the Scheme Meeting and/or the SGM.

Any person entitled to be registered as a registered holder of a Share in consequence of death of a Shareholder may, subject to satisfactory evidence having been produced to the Company, vote at the Scheme Meeting and/or the SGM (as the case may be) as if he/she was the registered holder of such Share. In order for such person to qualify to vote at the Scheme Meeting and/or the SGM, document(s) which is by law evidence of probate of the will, or the grant of letters of administration of the estate or confirmation as executor of the deceased Shareholder having been granted to such person must be lodged with the Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong at least 48 hours before the time of holding of the Scheme Meeting or the SGM, as the case may be, or any adjournment thereof.

A **pink** form of proxy for use in connection with the Scheme Meeting and a **white** form of proxy for use in connection with the SGM are enclosed with this Scheme Document.

Whether or not you are able to attend the Scheme Meeting and/or the SGM, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Scheme Meeting and the enclosed white form of proxy in respect of the SGM in accordance with the instructions printed on them respectively, and to deposit them at the Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

In order to be valid, the **pink** form of proxy for use in connection with the Scheme Meeting should be lodged not later than 9:30 a.m. on Wednesday, 15 December 2021 (or not later than 48 hours before an adjourned Scheme Meeting). The **pink** form of proxy may alternatively be handed to the chairman of the Scheme Meeting at the Scheme Meeting who shall have absolute discretion as to whether or not to accept it. The **white** form of proxy for use in connection with the SGM must be lodged not later than 10:00 a.m. on Wednesday, 15 December 2021 (or not later than 48 hours before an adjourned SGM), failing which it will not be valid. The completion and return of the relevant form of proxy will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof should you so wish and in such event, the relevant form of proxy will be revoked by operation of law.

If you do not appoint a proxy and you do not attend and vote at the Scheme Meeting and/or the SGM, you will still be bound by the outcome of the Scheme Meeting and/or the SGM. You are therefore strongly encouraged to attend and vote at the Scheme Meeting and/or the SGM in person or by proxy.

Voting at the Scheme Meeting and the SGM will be taken by poll.

ACTIONS TO BE TAKEN

Announcement of results of the Scheme Meeting and the SGM

Joint announcement(s) will be made by the Company and the Offeror in relation to the results of the Scheme Meeting and the SGM. If all of the requisite resolutions are passed at those meetings, further announcement(s) will be made in relation to, amongst other things, the results of the Court Hearing, the Effective Date and the date of withdrawal of the listing of the Shares on the Stock Exchange.

Shareholders who have sold/transferred Shares should hand this Scheme Document and forms of proxy to purchaser/transferee

If you have sold or transferred all of your Shares, you should at once hand this Scheme Document and the accompanying forms of proxy to the purchaser or the transferee or to the 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 the transferee.

Shareholders and potential investors of the Company are advised to read this Scheme Document carefully, in particular, (i) the letter from the Independent Board Committee in Part IV of this Scheme Document; and (ii) the letter from Gram Capital in Part V of this Scheme Document, before voting at the Scheme Meeting and/or the SGM.

Actions to be taken by Beneficial Owners whose Shares are deposited in CCASS

No person shall be recognised by the Company as holding any Shares on trust.

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, you should, unless you are admitted to participate in CCASS as an Investor Participant:

- (i) contact your broker, custodian, nominee or other relevant person who is, or has in turn deposited such Shares with, a CCASS Participant regarding voting instructions to be given to such persons; or
- (ii) arrange for some or all of such Shares to be withdrawn from CCASS and transferred them into your own name by lodging all the transfer documents with relevant share certificates on or before 4:30 p.m. on Monday, 13 December 2021 with the Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong if you wish to attend and vote (in person or by proxy) at the Scheme Meeting and/or the SGM.

The procedures for voting by the Investor Participants and other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees Limited shall be in accordance with the “Operating Guide for Investor Participants”, the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time.

ACTIONS TO BE TAKEN

Only Scheme Shareholders whose Scheme Shares are registered in their own names in the register of members of the Company on the Meeting Record Date will be counted as members of the Company for the purposes of calculating whether or not a majority in number of members of the Company have approved the Scheme at the Scheme Meeting under Section 99 of the Companies Act. In accordance with the direction from the Court, HKSCC Nominees Limited will be counted as one Scheme Shareholder and may vote for or against the Scheme according to the majority of voting instructions it receives. Beneficial Owners who wish to individually vote or be counted for such purposes should make arrangements to be registered as a member of the Company in their own name prior to the Meeting Record Date.

Actions to be taken by Beneficial Owners whose Shares are held by a Registered Owner other than HKSCC Nominees Limited

No person shall be recognised by the Company as holding any Shares on trust.

If you are a Beneficial Owner whose Shares are registered in the name of a nominee, trustee, depositary or any other authorised custodian or third party (other than HKSCC Nominees Limited), you should contact such Registered Owner to give instructions to and/or to make arrangements with such Registered Owner as to the manner in which the Shares beneficially owned by you should be voted at the Scheme Meeting and/or the SGM.

If you are a Beneficial Owner who wishes to attend and vote at the Scheme Meeting and/or the SGM personally, you should:

- (i) contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the Scheme Meeting and/or the SGM and, for such purpose, the Registered Owner may appoint you as its proxy; or
- (ii) arrange for some or all of the Shares registered in the name of the Registered Owner to be transferred into your own name by lodging all the transfer documents with relevant share certificates on or before 4:30 p.m. on Monday, 13 December 2021 with the Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, if you wish to attend and vote (in person or by proxy) at the Scheme Meeting and/or the SGM.

Instructions to and/or arrangements with the Registered Owner should be given or made in advance of the relevant latest time for the lodgement of forms of proxy in respect of the Scheme Meeting and the SGM in order to provide the Registered Owner with sufficient time to complete his/her/its forms of proxy accurately and to submit them by the deadline. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the relevant latest time for the lodgement of forms of proxy in respect of the Scheme Meeting and the SGM, any such Beneficial Owner should comply with the requirements of such Registered Owner.

ACTIONS TO BE TAKEN

Only Scheme Shareholders whose Scheme Shares are registered in their own names in the register of members of the Company on the Meeting Record Date will be counted as members of the Company for the purposes of calculating whether or not a majority in number of members of the Company have approved the Scheme at the Scheme Meeting under Section 99 of the Companies Act. Beneficial Owners who wish to individually vote or be counted for such purposes should make arrangements to be registered as a member of the Company in their own name prior to the Meeting Record Date.

EXERCISE YOUR RIGHT TO VOTE

If you are a Shareholder or a Beneficial Owner whose Shares are held by a Registered Owner, you are strongly encouraged to exercise your right to vote or to give instructions to the relevant Registered Owner to vote in person or by proxy at the Scheme Meeting and/or the SGM. If you keep any Shares in a share lending programme, you are encouraged to recall any outstanding Shares on loan to avoid market participants using borrowed stock to vote.

Only Scheme Shareholders whose Scheme Shares are registered in their own names in the register of members of the Company on the Meeting Record Date will be counted as members of the Company for the purposes of calculating whether or not a majority in number of members of the Company have approved the Scheme at the Scheme Meeting under Section 99 of the Companies Act. In accordance with the direction from the Court, HKSCC Nominees Limited will be counted as one Scheme Shareholder and may vote for or against the Scheme according to the majority of voting instructions it receives. Beneficial Owners who wish to individually vote or be counted for such purposes should make arrangements to be registered as a member of the Company in their own name prior to the Meeting Record Date.

If you are a Registered Owner holding Shares on behalf of Beneficial Owners, you should inform the relevant Beneficial Owner(s) about the importance of exercising their right to vote and that Beneficial Owners should consider transferring some or all of their Shares into their own names if they wish to be counted individually for the purposes of the headcount test.

If you are in any doubt as to the action to be taken, you are encouraged to consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

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In this Scheme Document, the following expressions have the meanings set out below unless the context requires otherwise:

“acting in concert”	has the meaning given to it in the Takeovers Code, and “persons acting in concert” and “concert parties” shall be construed accordingly;
“Adjusted NAV”	the unaudited adjusted net asset value of the Group attributable to owners of the Company as set out in the paragraph headed “5. Adjusted Net Asset Value of the Group” in Appendix I to this Scheme Document;
“Announcement Date”	6 October 2021, being the date of the Joint Announcement;
“associate(s)”	has the meaning given to it in the Takeovers Code;
“Authorisations”	all necessary notifications, registrations, applications, filings, authorisations, orders, recognitions, grants, waivers and consents, licences, confirmations, clearances, permissions, no-action relief, exemption relief orders and approvals (including without limitation any which are required or desirable under or in connection with any applicable laws and regulations or any licenses, permits or contractual obligations of the Company), and all appropriate waiting periods (including extensions thereof), in connection with the Proposal;
“Beneficial Owner(s)”	any beneficial owner(s) of Shares whose Shares are registered in the name of a Registered Owner(s) other than himself or herself;
“Board”	the board of Directors;
“Branch Share Registrar”	Computershare Hong Kong Investor Services Limited, being the Company’s Hong Kong branch share registrar and transfer office;
“Business Day”	a day on which the Stock Exchange is open for the transaction of business;
“BVI”	the British Virgin Islands;
“Cancellation Price”	the cancellation price of HK\$4.00 per Scheme Share payable in cash to the Scheme Shareholders pursuant to the Scheme;
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC;

“CCASS Participant(s)”	person(s) admitted to participate in CCASS as a direct clearing participant, general clearing participant, a custodian participant or an Investor Participant who may be an individual or joint individuals or a corporation;
“Century Frontier”	Century Frontier Limited, a business company incorporated in the BVI with limited liability, directly wholly-owned by the Offeror as at the Latest Practicable Date;
“China Evergrande Group”	China Evergrande Group, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 3333);
“China Evergrande Group Share(s)”	ordinary share(s) of US\$0.01 each in the share capital of China Evergrande Group;
“Companies Act”	the Companies Act 1981 of Bermuda, as amended;
“Company”	Chinese Estates Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 127);
“Condition(s)”	the condition(s) of the Proposal and the Scheme, as set out in the paragraph headed “3. Conditions of the Proposal and the Scheme” in the Explanatory Statement in Part VI of this Scheme Document;
“Court”	the Supreme Court of Bermuda;
“Court Hearing”	the hearing of the petition by the Court for the sanction of the Scheme;
“Director(s)”	the director(s) of the Company;
“Disinterested Scheme Shareholder(s)”	Scheme Shareholder(s) other than the Offeror and the Offeror Concert Parties;
“Disposal Mandate”	a mandate granted by the Shareholders to the Directors to dispose of up to 751,091,000 China Evergrande Group Shares held by the Group in accordance with the terms and conditions as set out in the Disposal Mandate Announcement;
“Disposal Mandate Announcement”	the announcement of the Company dated 23 September 2021 in relation to, amongst others, the Disposal Mandate;

“Effective Date”	the date on which the Scheme becomes effective in accordance with the Conditions and the Companies Act;
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate thereof;
“Explanatory Statement”	the explanatory statement in relation to the Scheme set out in Part VI of this Scheme Document issued in compliance with Section 100 of the Companies Act;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“HKSCC”	Hong Kong Securities Clearing Company Limited;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	the independent board committee of the Company which comprises all the independent non-executive Directors, namely Mr. Chan, Kwok-wai, Ms. Phillis Loh, Lai-ping and Mr. Ma, Tsz-chun, formed to advise the Disinterested Scheme Shareholders on the Proposal and as to voting;
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee in relation to the Proposal and as to voting;
“Investor Participant(s)”	person(s) admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation;
“JLLH Investments”	Joseph Lau Luen Hung Investments Limited, a business company incorporated in the BVI with limited liability, directly wholly-owned by the Offeror as at the Latest Practicable Date;
“Joint Announcement”	the joint announcement issued by the Offeror and the Company dated 6 October 2021 in relation to the Proposal;
“Last Full Trading Date”	28 September 2021, being the last full trading day prior to the suspension of trading of Shares immediately before the issue of the Joint Announcement;

“Latest Practicable Date”	19 November 2021, being the latest practicable date prior to the despatch of this Scheme Document for the purpose of ascertaining certain information contained in this Scheme Document;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	30 June 2022 or such later date as the Offeror and the Company may agree or, to the extent applicable, as the Court may direct and, in all cases, as permitted by the Executive;
“Macau”	the Macao Special Administrative Region of the PRC;
“Meeting Record Date”	17 December 2021 or such other date as shall have been announced to the Shareholders, being the record date for the purpose of determining entitlement of the Scheme Shareholders to attend and vote at the Scheme Meeting and entitlement of the Shareholders to attend and vote at the SGM;
“Ms. HW Chan”	Ms. Chan, Hoi-wan, an executive Director, the chief executive officer of the Company and a trustee of the substantial shareholders of the Company (who are her minor children);
“Offer Period”	has the meaning given to it under the Takeovers Code, being the period commencing from the Announcement Date and ending on the latest of (i) the date when the Proposal lapses; (ii) the date on which an announcement is made for the withdrawal of the Proposal; and (iii) the Effective Date;
“Offeror”	Solar Bright Ltd., a business company incorporated in the BVI with limited liability, which is ultimately wholly-owned by Ms. HW Chan (as the trustee for her minor children);
“Offeror Concert Party(ies)”	person(s) acting in concert or presumed to be acting in concert with the Offeror in relation to the Company under the Takeovers Code, such persons who held Shares as at the Latest Practicable Date include (i) companies controlled by the Offeror, namely Century Frontier and JLLH Investments; (ii) Ms. HW Chan’s mother, namely Ms. Chung, Siu-kuen; (iii) a younger sister of Ms. HW Chan’s spouse, namely Ms. Mary Lau, Yuk-chun; (iv) companies controlled by Ms. Mary Lau, Yuk-chun, namely Union Field Ltd., WinPath Limited and Chaker Investments Ltd.; and (v) a company controlled by Mr. Thomas Lau, Luen-hung, a younger brother of Ms. HW Chan’s spouse, namely Favor Gain Limited;

“Offeror Director(s)”	the director(s) of the Offeror;
“PRC” or “mainland China”	the People’s Republic of China, excluding, for the purpose of this Scheme Document only, Taiwan, Hong Kong and Macau, except where the context indicates or requires otherwise;
“Proposal”	the proposal for the privatisation of the Company by the Offeror by way of the Scheme, on the terms and subject to the Conditions set out in this Scheme Document;
“Registered Owner(s)”	any person(s) (including without limitation a nominee, trustee, depository or any other authorised custodian or third party) whose name is entered in the register of members of the Company as the holder of the Share(s);
“Registrar of Companies”	the Registrar of Companies in Bermuda;
“Regulation”	the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation (Chapter 599G of the Laws of Hong Kong) (as amended, supplemented and/or modified from time to time);
“Relevant Authorities”	any competent governments and/or governmental bodies, regulatory bodies, courts or institutions;
“Relevant Period”	the period commencing on 6 April 2021, being the date falling six months prior to the Announcement Date, and ending on the Latest Practicable Date;
“Remaining China Evergrande Group Shares”	313,213,000 China Evergrande Group Shares held by the Group as at the Latest Practicable Date;
“RMB”	Renminbi, the lawful currency of the PRC;
“Scheme”	the scheme of arrangement proposed under Section 99 of the Companies Act between the Company and the Scheme Shareholders involving, amongst other things, the cancellation of all the Scheme Shares, with or subject to any modifications, additions or conditions as may be approved or imposed by the Court;
“Scheme Document”	this composite scheme document, including each of the letters, statements, appendices and notices in it, as may be amended or supplemented from time to time;

“Scheme Meeting”	the meeting of the Scheme Shareholders convened at the direction of the Court to be held at Island Ballroom, Level 5, Island Shangri-La, Hong Kong, Two Pacific Place, Supreme Court Road, Central, Hong Kong on Friday, 17 December 2021 at 9:30 a.m., notice of which is set out in Appendix VI to this Scheme Document, at which the Scheme (with or without modifications) will be voted upon, or any adjournment thereof;
“Scheme Record Date”	7 January 2022 or such other date as shall have been announced to the Shareholders, being the record date for the purpose of determining entitlement of the Scheme Shareholders to the Cancellation Price under the Scheme;
“Scheme Share(s)”	Share(s), other than those Shares held by the Offeror, Century Frontier and JLLH Investments;
“Scheme Shareholder(s)”	registered holder(s) of the Scheme Share(s);
“SFC”	the Securities and Futures Commission of Hong Kong;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“SGM”	the special general meeting of the Company convened for the purpose of approving all necessary resolution(s) for, amongst other things, the implementation of the Proposal, to be held at Island Ballroom, Level 5, Island Shangri-La, Hong Kong, Two Pacific Place, Supreme Court Road, Central, Hong Kong on Friday, 17 December 2021 at 10:00 a.m. (or immediately after the conclusion or adjournment of the Scheme Meeting, whichever is later), notice of which is set out in Appendix VII to this Scheme Document, or any adjournment thereof;
“Share(s)”	ordinary share(s) of par value HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Southwest Securities”	Southwest Securities (HK) Capital Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Offeror in connection with the Proposal;
“Stamp Duty Ordinance”	Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong);

“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning given to it in the Listing Rules;
“substantial shareholder(s)”	has the meaning given to it in the Listing Rules;
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers;
“Trading Halt Date”	29 September 2021, being the date of commencement of trading halt of the Shares immediately before the issue of the Joint Announcement;
“US\$”	United States dollar, the lawful currency of the United States of America;
“£”	British pound, the lawful currency of the United Kingdom; and
“%”	per cent.

The timetable set out below is indicative only and is subject to change. Any changes to the timetable will be jointly announced by the Offeror and the Company. All references in this Scheme Document to times and dates are references to Hong Kong times and dates, other than references to the expected dates of the Court Hearing and the Effective Date which are the relevant times and dates in Bermuda. For reference only, Bermuda time is 12 hours behind Hong Kong time as at the date of this Scheme Document.

Date of despatch of this Scheme Document Wednesday, 24 November 2021

Latest time for lodging transfers of Shares documents to qualify
for entitlements to attend and vote at the
Scheme Meeting and the SGM 4:30 p.m. on
Monday, 13 December 2021

Closure of the register of members
for determining entitlements to attend and vote
at the Scheme Meeting and the SGM ⁽¹⁾ from Tuesday, 14 December 2021
to Friday, 17 December 2021
(both days inclusive)

Latest time for lodging **pink** form of proxy
in respect of the Scheme Meeting ⁽²⁾ 9:30 a.m. on
Wednesday, 15 December 2021

Latest time for lodging **white** form of proxy
in respect of the SGM ⁽²⁾ 10:00 a.m. on
Wednesday, 15 December 2021

Meeting Record Date Friday, 17 December 2021

Scheme Meeting ⁽²⁾ & ⁽³⁾ 9:30 a.m. on
Friday, 17 December 2021

SGM ⁽²⁾ & ⁽³⁾ 10:00 a.m. on
Friday, 17 December 2021
(or immediately after the conclusion or
adjournment of the Scheme Meeting, whichever is later)

Announcement of the results of the Scheme Meeting and
the SGM, published on the websites of the
Stock Exchange and the Company not later than 7:00 p.m. on
Friday, 17 December 2021

Expected last day for trading in the Shares
on the Stock Exchange Monday, 20 December 2021

PART II

EXPECTED TIMETABLE

Latest time for lodging transfers of Shares documents to qualify for entitlements under the Scheme	4:30 p.m. on Thursday, 23 December 2021
Closure of the register of members for determining entitlements under the Scheme ⁽⁴⁾	from Friday, 24 December 2021 onwards
Scheme Record Date	Friday, 7 January 2022
Court Hearing of the petition for the sanction of the Scheme.	Friday, 7 January 2022 (Bermuda time)
Announcement of (1) the results of the Court Hearing; (2) the expected Effective Date; and (3) the expected date of the withdrawal of the listing of the Shares on the Stock Exchange, published on the websites of the Stock Exchange and the Company	on or before 8:30 a.m. on Monday, 10 January 2022
Effective Date ⁽⁵⁾	Monday, 10 January 2022 (Bermuda time)
Announcement of (1) the Effective Date; and (2) the withdrawal of listing of Shares on the Stock Exchange, published on the websites of the Stock Exchange and the Company.	not later than 8:30 a.m. on Tuesday, 11 January 2022
Expected withdrawal of listing of the Shares on the Stock Exchange ⁽⁵⁾	9:00 a.m. on Thursday, 13 January 2022
Latest date to despatch cheques for payment of the Cancellation Price to the Scheme Shareholders ⁽⁶⁾	on or before Wednesday, 19 January 2022

Notes:

- (1) The register of members of the Company will be closed during such period for the purpose of determining the entitlement of the Scheme Shareholders to attend and vote at the Scheme Meeting and of the Shareholders to attend and vote at the SGM. For the avoidance of doubt, this period of closure is not for determining entitlements under the Scheme.
- (2) The **pink** form of proxy in respect of the Scheme Meeting and the **white** form of proxy in respect of the SGM must be completed and signed in accordance with the instructions respectively printed thereon. The **pink** form of proxy in respect of the Scheme Meeting should be lodged with the Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by the times and dates stated above (or not later than 48 hours before an adjourned Scheme Meeting). Alternatively, the **pink** form of proxy in respect of the Scheme Meeting may be handed to the chairman of the Scheme Meeting at the Scheme Meeting (who shall have absolute discretion as to whether or not to accept it) if it is not so lodged. The **white** form of proxy in respect of the SGM must be lodged with the Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by the times and dates stated above (or not later than 48 hours before an adjourned SGM), failing which, it will not be valid. If more than one proxy form for the Scheme Meeting is submitted by a Scheme Shareholder and the voting instructions require the proxies to vote both FOR and AGAINST the Scheme, the chairman of the Scheme Meeting shall have absolute discretion as to whether or not to accept those proxy forms. Completion and return of a form of proxy for the Scheme Meeting and/or the SGM will not preclude a Scheme Shareholder or a Shareholder (as the case may be) from attending and voting in person at the relevant meeting if he/she so wishes. In such event, the relevant form of proxy will be revoked by operation of law.
- (3) If a tropical cyclone warning signal No.8 or above is or is expected to be hoisted or "extreme conditions" caused by super typhoons or a black rainstorm warning signal is or is expected to be in force at any time after 7:00 a.m. on the date of the Scheme Meeting and the SGM, the Scheme Meeting and the SGM will be adjourned. The Company will post an announcement on the respective websites of the Stock Exchange and the Company to notify the members of the date, time and venue of the adjourned meetings.
- (4) The register of members of the Company will be closed during such period for the purpose of determining the Scheme Shareholders, who are qualified for entitlements under the Scheme.
- (5) The Scheme will become effective upon all the Conditions set out in the paragraph headed "3. Conditions of the Proposal and the Scheme" in the Explanatory Statement in Part VI of this Scheme Document having been fulfilled or waived (as applicable). The withdrawal of listing of Shares will take place as soon as practicable after the Effective Date. Shareholders will be advised by an announcement of the exact date upon which the Scheme becomes effective and the exact date of withdrawal of the listing of the Shares on the Stock Exchange. All of the Conditions will have to be fulfilled or waived (as applicable) on or before 30 June 2022 (or such later date as the Offeror and the Company may agree or, to the extent applicable, as the Court may direct and, in all cases, as permitted by the Executive), failing which the Proposal and the Scheme will lapse.
- (6) Cheques for entitlements of Scheme Shareholders will be despatched by ordinary post in postage pre-paid envelopes addressed to Scheme Shareholders at their respective addresses as appearing in the register of members of the Company as at the Scheme Record Date or, in the case of joint holders, at the address appearing in the register of members of the Company as at the Scheme Record Date of the joint holder whose name then stands first in the register of members of the Company in respect of the relevant joint holding as soon as possible but in any event within 7 business days (as defined in the Takeovers Code) following the Effective Date. Cheques shall be posted at the risk of the addressees and none of the Offeror, the Company, Southwest Securities, Gram Capital and the Branch Share Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal shall be responsible for any loss or delay in transmission.



CHINESE ESTATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 127)

Executive Directors:

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

Non-executive Directors:

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

Independent Non-executive Directors:

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

Registered office:

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

Principal office in Hong Kong:

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

24 November 2021

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED PRIVATISATION OF CHINESE ESTATES HOLDINGS LIMITED
BY
SOLAR BRIGHT LTD.
BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 99
OF THE COMPANIES ACT
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF
CHINESE ESTATES HOLDINGS LIMITED**

1. INTRODUCTION

On 28 September 2021, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under Section 99 of the Companies Act. Upon completion of the Proposal, the Offeror, Century Frontier and JLLH Investments will hold the entire issued share capital of the Company and the listing of the Shares will be withdrawn from the Stock Exchange.

2. TERMS OF THE PROPOSAL

The Proposal will be implemented by way of the Scheme. If the Proposal is approved and implemented:

- (a) all Scheme Shares held by the Scheme Shareholders will be cancelled in exchange for payment of the Cancellation Price of HK\$4.00 in cash for each Scheme Share cancelled;
- (b) simultaneously with the cancellation of the Scheme Shares, the issued share capital of the Company will be maintained at the amount immediately prior to the cancellation of the Scheme Shares by issuing to the Offeror such number of new Shares as is equal to the number of Scheme Shares cancelled, credited as fully paid, by applying the credit created as a result of the cancellation of the Scheme Shares in paying up in full at par such new Shares;
- (c) the Company will be owned as to (i) approximately 62.92% by the Offeror; and (ii) approximately 24.97% by Century Frontier and approximately 12.11% by JLLH Investments, each an Offeror Concert Party; and
- (d) the Company will apply to the Stock Exchange for the withdrawal of listing of the Shares on the Stock Exchange pursuant to Rule 6.15(2) of the Listing Rules so that such withdrawal is to take place as soon as practicable after the Effective Date. Further announcement will be made in relation to the date of withdrawal of listing of the Shares on the Stock Exchange.

Cancellation Price

Under the Scheme, if the Scheme becomes effective, the Scheme Shareholders will receive from the Offeror the Cancellation Price of HK\$4.00 in cash for each Scheme Share cancelled, representing a premium of approximately 83.5% over the closing price of HK\$2.18 per Share as quoted on the Stock Exchange on the Last Full Trading Date, as consideration for the cancellation of the Scheme Shares.

The Cancellation Price will not be increased and the Offeror does not reserve the right to do so.

The Cancellation Price of HK\$4.00 per Scheme Share represents:

- a premium of approximately 83.5% over the closing price of HK\$2.18 per Share, as quoted on the Stock Exchange on the Last Full Trading Date;
- a premium of approximately 82.6% over the average closing price of approximately HK\$2.19 per Share, based on the daily closing prices as quoted on the Stock Exchange over the 5 trading days up to and including the Last Full Trading Date;
- a premium of approximately 50.9% over the average closing price of approximately HK\$2.65 per Share, based on the daily closing prices as quoted on the Stock Exchange over the 30 trading days up to and including the Last Full Trading Date;

- a premium of approximately 35.1% over the average closing price of approximately HK\$2.96 per Share, based on the daily closing prices as quoted on the Stock Exchange over the 60 trading days up to and including the Last Full Trading Date;
- a premium of approximately 12.7% over the average closing price of approximately HK\$3.55 per Share, based on the daily closing prices as quoted on the Stock Exchange over the 180 trading days up to and including the Last Full Trading Date;
- a discount of approximately 73.5% to the audited consolidated net asset value attributable to Shareholders per Share of approximately HK\$15.07 as at 31 December 2020 (having excluded the final dividend for 2020);
- a discount of approximately 69.2% to the unaudited consolidated net asset value attributable to Shareholders per Share of approximately HK\$12.99 as at 30 June 2021;
- a discount of approximately 54.6% to the Adjusted NAV per Share of approximately HK\$8.82, the calculation of which is set out in the sub-paragraph headed “The Adjusted NAV” under paragraph headed “5. Adjusted Net Asset Value of the Group” in Appendix I to this Scheme Document;
- a premium of approximately 37.9% over the closing price of HK\$2.90 per Share, as quoted on the Stock Exchange on the Trading Halt Date; and
- a premium of approximately 7.2% over the closing price of HK\$3.73 per Share, as quoted on the Stock Exchange on the Latest Practicable Date.

As stated in the Explanatory Statement in Part VI of this Scheme Document, the Cancellation Price has been determined after taking into account, amongst other things, the challenging, uncertain and difficult operating environment encountered by the Group, the recent and historic trading prices of the Shares and the factors as set out in the paragraph headed “9. Reasons for and Benefits of the Proposal” in the Explanatory Statement in Part VI of this Scheme Document and with reference to other similar privatisation transactions relating to companies listed on the Stock Exchange in recent years. Shareholders are advised to read the Explanatory Statement in Part VI of this Scheme Document for further details.

3. FINANCIAL RESOURCES

As at the Latest Practicable Date, the total issued share capital of the Company comprised 1,907,619,079 Shares. 476,918,311 Scheme Shares were in issue, representing approximately 25.01% of the issued share capital of the Company as at the Latest Practicable Date. Apart from the Shares in issue, the Company had no outstanding options, derivatives, warrants or other securities convertible or exchangeable into Shares in issue as at the Latest Practicable Date.

On the assumption that there is no other change in the shareholding structure of the Company before completion of the Proposal, the maximum amount of cash consideration payable to effect the Proposal on the basis described above is HK\$1,907,673,244.

Payment of the cash consideration under the Scheme will be funded by the internal cash resources of the Offeror.

Southwest Securities, as financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy the maximum amount of cash consideration required to effect the Proposal.

4. CONDITIONS OF THE PROPOSAL AND THE SCHEME

The Proposal is, and the Scheme will become effective and binding on the Company and all Scheme Shareholders, subject to the fulfilment or waiver (as applicable) of all the Conditions on or before the Long Stop Date, failing which the Proposal and the Scheme will lapse.

For details of the Conditions, your attention is drawn to the paragraph headed “3. Conditions of the Proposal and the Scheme” in the Explanatory Statement in Part VI of this Scheme Document.

5. SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon the Scheme becoming effective (assuming that there is no other changes in the shareholding of the Company between the Latest Practicable Date and the Effective Date):

Shareholder	As at the Latest Practicable Date		Immediately upon the Scheme becoming effective	
	Number of Shares	Approximate % of the issued share capital of the Company	Number of Shares	Approximate % of the issued share capital of the Company
Offeror ⁽¹⁾	723,290,948	37.91	1,200,209,259	62.92
Offeror Concert Parties				
<i>Shares held not subject to the Scheme</i>				
– Century Frontier ⁽²⁾	476,425,000	24.97	476,425,000	24.97
– JLLH Investments ⁽²⁾	230,984,820	12.11	230,984,820	12.11
Sub-total:	1,430,700,768	74.99	1,907,619,079	100.00
Other Offeror Concert Parties who hold Shares				
<i>Shares held subject to the Scheme but the holders of which are not Disinterested Scheme Shareholders</i>				
– Favor Gain Limited ⁽³⁾	50,000,000	2.62	–	–
– Ms. Chung, Siu-kuen ⁽⁴⁾	11,743,000	0.62	–	–
– Ms. Mary Lau, Yuk-chun ⁽⁵⁾	3,176,000	0.17	–	–
– Union Field Ltd. ⁽⁶⁾	1,505,725	0.08	–	–
– WinPath Limited ⁽⁶⁾	1,359,112	0.07	–	–
– Chaker Investments Ltd. ⁽⁶⁾	751,988	0.04	–	–
Sub-total:	68,535,825	3.60	–	–
Sub-total: Offeror and all Offeror Concert Parties	1,499,236,593	78.59	1,907,619,079	100.00
Disinterested Scheme Shareholders	408,382,486	21.41	–	–
Total no. of Shares in issue	1,907,619,079	100.00	1,907,619,079	100.00
Total no. of Scheme Shares	476,918,311	25.01	–	–

Notes:

As at the Latest Practicable Date:

- (1) Ms. HW Chan (as the trustee for her minor children) directly held the entire issued share capital of Sino Omen Holdings Limited which in turn directly held the entire issued share capital of the Offeror.
- (2) Each of Century Frontier and JLLH Investments was directly wholly-owned by the Offeror. Ms. HW Chan was the ultimate holder (as the trustee for her minor children) of all the Shares directly held by the Offeror, Century Frontier and JLLH Investments, which in aggregate amounted to approximately 74.99% of the issued share capital of the Company.
- (3) Such 50,000,000 Shares were directly held by Favor Gain Limited which was a company wholly-owned by Mr. Thomas Lau, Luen-hung, a younger brother of Ms. HW Chan's spouse.
- (4) Such 11,743,000 Shares were directly held by Ms. Chung, Siu-kuen, Ms. HW Chan's mother.
- (5) Such 3,176,000 Shares were directly held by Ms. Mary Lau, Yuk-chun, a younger sister of Ms. HW Chan's spouse.
- (6) Such 1,505,725 Shares, 1,359,112 Shares and 751,988 Shares were directly held by Union Field Ltd., WinPath Limited and Chaker Investments Ltd. respectively. Each of Union Field Ltd., WinPath Limited and Chaker Investments Ltd. was a company wholly-owned by Ms. Mary Lau, Yuk-chun, a younger sister of Ms. HW Chan's spouse.

6. REASONS FOR AND BENEFITS OF THE PROPOSAL

Your attention is drawn to the paragraph headed “9. Reasons for and Benefits of the Proposal” in the Explanatory Statement in Part VI of this Scheme Document.

7. INFORMATION ON THE COMPANY AND THE OFFEROR**The Company**

The Company is an exempted company incorporated in Bermuda with limited liability and, together with its subsidiaries, are principally engaged in property investment and development, building and property management, brokerage, securities investment, money lending and cosmetics distribution and trading.

The Offeror

The Offeror is a business company incorporated in the BVI with limited liability and is an investment holding company. The Offeror is directly wholly-owned by Sino Omen Holdings Limited which is in turn held by Ms. HW Chan (as the trustee for her minor children). The main assets of the Offeror are the Shares it holds.

The Offeror Directors are Ms. HW Chan and Ms. Chan, Sze-wan.

8. INTENTIONS OF THE OFFEROR WITH REGARD TO THE GROUP

Your attention is drawn to the paragraph headed “11. Intentions of the Offeror with regard to the Group” in the Explanatory Statement in Part VI of this Scheme Document.

9. INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, which comprises all the independent non-executive Directors, namely Mr. Chan, Kwok-wai, Ms. Phillis Loh, Lai-ping and Mr. Ma, Tsz-chun, has been formed to make recommendation to the Disinterested Scheme Shareholders as to whether or not the terms of the Proposal are fair and reasonable, and whether to vote in favour of the relevant resolutions at the Scheme Meeting and the SGM. The two non-executive Directors, namely Mr. Lau, Ming-wai and Ms. Amy Lau, Yuk-wai, each being an Offeror Concert Party who does not hold any Shares, will not act as members of the Independent Board Committee.

The full text of the letter from the Independent Board Committee is set out in the “Letter from the Independent Board Committee” in Part IV of this Scheme Document.

10. INDEPENDENT FINANCIAL ADVISER

The Company has appointed Gram Capital as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Proposal and its recommendation as to voting of the relevant resolutions at the Scheme Meeting and the SGM. Such appointment has been approved by the Independent Board Committee.

The full text of the letter from Gram Capital is set out in the “Letter from Gram Capital” in Part V of this Scheme Document.

11. WITHDRAWAL OF LISTING OF THE SHARES

Upon the Scheme becoming effective, all the Scheme Shares will be cancelled. Share certificates for the Scheme Shares held by the Scheme Shareholders will thereafter cease to have effect as documents or evidence of title.

The Company does not intend to retain its listing on the Stock Exchange if and upon the Scheme becoming effective, and the Company will make an application for the listing of the Shares to be withdrawn from the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules, subject to the Scheme becoming effective, so that such withdrawal is to take place as soon as practicable after the Effective Date. Further announcement will be made in relation to the date of withdrawal of the listing of the Shares on the Stock Exchange.

12. IF THE PROPOSAL IS NOT APPROVED OR LAPSES

The Scheme will lapse if any of the Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date. The listing of the Shares on the Stock Exchange will not be withdrawn if the Scheme does not become effective or the Proposal otherwise lapses, in which case the Board expects that the Company will continue to meet the minimum public float requirements under the Listing Rules given that there will be no cancellation of the Scheme Shares and assuming there is no change in the shareholding of the Company.

If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, announce an offer or possible offer for the Company, except with the consent of the Executive.

If the Independent Board Committee or Gram Capital does not recommend the Proposal, and the Scheme is not approved, all expenses incurred by the Company in connection therewith shall be borne by the Offeror in accordance with Rule 2.3 of the Takeovers Code. Since the Independent Board Committee and Gram Capital have both recommended the Proposal, the Company and the Offeror have agreed that each party shall bear their own costs, charges and expenses of and incidental to the Scheme.

13. SCHEME MEETING AND SGM

Notices convening the Scheme Meeting and the SGM to be held at Island Ballroom, Level 5, Island Shangri-La, Hong Kong, Two Pacific Place, Supreme Court Road, Central, Hong Kong on Friday, 17 December 2021 at 9:30 a.m. and 10:00 a.m. (or immediately after the conclusion or adjournment of the Scheme Meeting, whichever is later), respectively, are set out in Appendix VI and Appendix VII to this Scheme Document.

The Court has directed the Scheme Meeting to be convened and held for the purpose of considering and, if thought fit, approving (with or without modifications) the Scheme. The Scheme is subject to the approval by the Scheme Shareholders at the Scheme Meeting in the manner referred to in Conditions (a) and (b) in the paragraph headed “3. Conditions of the Proposal and the Scheme” in the Explanatory Statement in Part VI of this Scheme Document.

Immediately after the conclusion or adjournment of the Scheme Meeting, the SGM will be held for the purpose of considering and, if thought fit, passing a special resolution for the implementation of the Proposal in the manner referred to in Condition (c) in the paragraph headed “3. Conditions of the Proposal and the Scheme” in the Explanatory Statement in Part VI of this Scheme Document.

An announcement will be jointly made by the Company and the Offeror in relation to the results of the Scheme Meeting and the SGM. Such announcement will contain the information as required by Rule 19.1 of the Takeovers Code.

14. OVERSEAS SHAREHOLDERS

Your attention is drawn to the paragraph headed “18. Overseas Shareholders” in the Explanatory Statement in Part VI of this Scheme Document.

15. ACTIONS TO BE TAKEN

Your attention is drawn to the section headed “ACTIONS TO BE TAKEN” of this Scheme Document for details of the actions you should take as a Shareholder, as a Beneficial Owner whose Shares are held by a Registered Owner, or as a Beneficial Owner whose Shares are deposited in CCASS.

16. RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Independent Board Committee in Part IV of this Scheme Document; and (ii) the letter from Gram Capital in Part V of this Scheme Document which sets out the factors and reasons taken into account by Gram Capital in arriving at its advice to the Independent Board Committee.

17. TAXATION AND INDEPENDENT ADVICE

Your attention is drawn to the paragraph headed “19. Taxation” in the Explanatory Statement in Part VI of this Scheme Document.

It is emphasised that none of the Offeror, the Company, Southwest Securities, Gram Capital nor any of their respective directors, officers, employees, agents, affiliates or advisers or any other persons involved in the Proposal accepts responsibility or has any liability for any taxation effects on, or liabilities of, any persons as a result of their approval or disapproval of the Scheme. All Scheme Shareholders are recommended to consult their own professional advisers if in any doubt as to the taxation implications of the Proposal.

18. FURTHER INFORMATION

You are urged to read the whole of this Scheme Document, in particular:

- (i) the letter from the Independent Board Committee in Part IV of this Scheme Document;
- (ii) the letter from Gram Capital in Part V of this Scheme Document;
- (iii) the Explanatory Statement in Part VI of this Scheme Document;
- (iv) the Appendices to this Scheme Document;
- (v) the Scheme as set out in Appendix V to this Scheme Document; and
- (vi) the notice of Scheme Meeting and the notice of SGM as set out in Appendix VI and Appendix VII respectively to this Scheme Document.

In addition, a **pink** form of proxy for the Scheme Meeting and a **white** form of proxy for the SGM are enclosed with this Scheme Document.

Shareholders and potential investors of the Company should be aware that the Proposal is subject to the Conditions being fulfilled or waived (as applicable), and therefore the Proposal may or may not be implemented. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

Yours faithfully,

By order of the Board

Lam, Kwong-wai

Executive Director and Company Secretary

The following is a full text of the letter from the Independent Board Committee prepared for the purpose of inclusion in this Scheme Document.



CHINESE ESTATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 127)

24 November 2021

To the Disinterested Scheme Shareholders

Dear Sir or Madam,

**(1) PROPOSED PRIVATISATION OF CHINESE ESTATES HOLDINGS LIMITED
BY
SOLAR BRIGHT LTD.
BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 99
OF THE COMPANIES ACT
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF
CHINESE ESTATES HOLDINGS LIMITED**

We refer to the document dated 24 November 2021 jointly issued by the Offeror and the Company in relation to the Proposal (the “**Scheme Document**”), of which this letter forms part. Terms defined in the Scheme Document shall have the same meanings in this letter unless the context otherwise requires.

We, being all the independent non-executive Directors who are not interested in the Proposal, have been appointed by the Board as members of the Independent Board Committee to give a recommendation to the Disinterested Scheme Shareholders in respect of the Proposal and as to voting of the relevant resolutions at the Scheme Meeting and the SGM.

Gram Capital has been appointed, with our approval, as the Independent Financial Adviser to advise us in respect of the Proposal and our advice as to voting of the relevant resolutions at the Scheme Meeting and the SGM. The details of its advice and the principal factors taken into consideration in arriving at its advice are set out in the “Letter from Gram Capital” in Part V of the Scheme Document.

Having considered the terms of the Proposal and having taken into account the advice of Gram Capital, and in particular, the factors, reasons and recommendations set out in its letter, we consider that the terms of the Proposal are fair and reasonable so far as the Disinterested Scheme Shareholders are concerned.

Accordingly, we recommend that:

- (i) the Disinterested Scheme Shareholders to vote IN FAVOUR OF the resolution to approve the Scheme at the Scheme Meeting; and
- (ii) the Shareholders to vote IN FAVOUR OF the special resolution and the implementation of the Proposal at the SGM.

We draw the attention of the Disinterested Scheme Shareholders to (1) the “Letter from the Board” as set out in Part III of the Scheme Document; (2) the “Letter from Gram Capital”, which sets out the factors and reasons taken into account by Gram Capital in arriving at its advice to the Independent Board Committee as set out in Part V of the Scheme Document; and (3) the Explanatory Statement as set out in Part VI of the Scheme Document.

Yours faithfully,
For and on behalf of

Independent Board Committee

Chan, Kwok-wai

Phillis Loh, Lai-ping
Independent Non-executive Directors

Ma, Tsz-chun

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee in respect of the Proposal, for the purpose of inclusion in this Scheme Document.



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

24 November 2021

To: The independent board committee of Chinese Estates Holdings Limited

Dear Sirs,

**(1) PROPOSED PRIVATISATION OF CHINESE ESTATES HOLDINGS LIMITED
BY
SOLAR BRIGHT LTD.
BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 99
OF THE COMPANIES ACT
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF
CHINESE ESTATES HOLDINGS LIMITED**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Proposal, details of which are set out in the Scheme Document dated 24 November 2021 jointly issued by the Offeror and the Company to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Scheme Document unless the context requires otherwise.

With reference to the letter from the Board (the “**Board Letter**”) contained in the Scheme Document, on 28 September 2021, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of the Scheme under Section 99 of the Companies Act. Under the Scheme, if the Scheme becomes effective, the Scheme Shareholders will receive from the Offeror the Cancellation Price of HK\$4.00 in cash for each Scheme Share cancelled, as consideration for the cancellation of the Scheme Shares.

Upon completion of the Proposal, the Offeror, Century Frontier and JLLH Investments will hold the entire issued share capital of the Company and the listing of the Shares will be withdrawn from the Stock Exchange.

An Independent Board Committee comprising Mr. Chan, Kwok-wai, Ms. Phillis Loh, Lai-ping and Mr. Ma, Tsz-chun (all being independent non-executive Directors) has been formed to advise the Disinterested Scheme Shareholders on whether the Proposal is, or is not, fair and reasonable and as to the voting of the Proposal. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in this respect, and our opinion herein is solely for the assistance of the Independent Board Committee in connection with its consideration of the Proposal pursuant to Rule 2.1 of the Takeovers Code. The appointment of Gram Capital as the Independent Financial Adviser has been approved by the Independent Board Committee.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as independent financial adviser in relation to the Company's (i) continuing connected transactions as stated under the Company's circular dated 7 October 2020; and (ii) major and connected transaction as stated under the Company's circular dated 28 February 2020. Notwithstanding the aforesaid engagements, we were not aware of any relationships or interests between Gram Capital and the Company/the Offeror, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser during the past two years immediately preceding the Latest Practicable Date.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee, we have relied on the statements, information, opinions and representations contained or referred to in the Scheme Document and the information and representations as provided to us by the Directors and the Offeror (where applicable). We have assumed that all information and representations that have been provided by the Directors and the Offeror, 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, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors and the Offeror in the Scheme Document 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 Scheme Document, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors and the Offeror, which have been provided to us. Our opinion is based on the Directors' and the Offeror's representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Proposal. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules and Rule 2 of the Takeovers Code.

Your attention is drawn to the responsibility statements as set out in the section headed “1. RESPONSIBILITY STATEMENTS” of Appendix IV to the Scheme Document. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Scheme Document, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Offeror or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Proposal.

We have assumed that the Proposal will be consummated in accordance with the terms and conditions set forth in the Scheme Document without any waiver, amendment, addition or delay of any terms or conditions. We have assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents as required for the Proposal, no delay, limitation, condition or restriction will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived from the Proposal. In addition, our opinion is necessarily based on the financial, market, economic, industry-specific and other conditions as they existed on, and the information made available to us as at the Latest Practicable Date.

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 and fairly extracted, reproduced or presented 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 Proposal, we have taken into consideration the following principal factors and reasons:

(1) Background and terms of the Proposal

On 28 September 2021, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of the Scheme under Section 99 of the Companies Act.

As further mentioned in the Explanatory Statement, if the Proposal is approved and implemented, on the Effective Date:

- (a) all Scheme Shares held by the Scheme Shareholders will be cancelled in exchange for payment of the Cancellation Price of HK\$4.00 in cash for each Scheme Share cancelled;

- (b) simultaneously with the cancellation of the Scheme Shares, the issued share capital of the Company will be maintained at the amount immediately prior to the cancellation of the Scheme Shares by issuing to the Offeror such number of new Shares as is equal to the number of Scheme Shares cancelled, credited as fully paid, by applying the credit created as a result of the cancellation of the Scheme Shares in paying up in full at par such new Shares;
- (c) the Company will be owned as to (i) approximately 62.92% by the Offeror; and (ii) approximately 24.97% by Century Frontier and approximately 12.11% by JLLH Investments, each an Offeror Concert Party; and
- (d) the Company will apply to the Stock Exchange for the withdrawal of listing of the Shares on the Stock Exchange pursuant to Rule 6.15(2) of the Listing Rules so that such withdrawal is to take place as soon as practicable after the Effective Date. Further announcement will be made in relation to the date of withdrawal of listing of the Shares on the Stock Exchange.

With reference to the Board Letter, as at the Latest Practicable Date, there were 1,907,619,079 Shares in issue and the Scheme Shareholders were interested in 476,918,311 Shares (representing approximately 25.01% of the issued share capital of the Company as at the Latest Practicable Date); whereas the Disinterested Scheme Shareholders were interested in 408,382,486 Shares (representing approximately 21.41% of the issued share capital of the Company as at the Latest Practicable Date). As at the Latest Practicable Date, there were no outstanding options, warrants, derivatives, convertible securities or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company.

With reference to the Board Letter, payment of the cash consideration under the Scheme will be funded by the internal cash resources of the Offeror. Southwest Securities (HK) Capital Limited, as financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy the maximum amount of cash consideration required to effect the Proposal.

(2) Information on the Group

With reference to the Board Letter, the Company is an exempted company incorporated in Bermuda with limited liability and, together with its subsidiaries, are principally engaged in property investment and development, building and property management, brokerage, securities investment, money lending and cosmetics distribution and trading.

Financial performance

Set out below is a summary of the audited consolidated financial performance of the Group for each of the two years ended 31 December 2019 and 2020 as extracted from the Company's annual report for the year ended 31 December 2020 (the “**2020 Annual Report**”):

	For the year ended 31 December 2020 HK\$'000	For the year ended 31 December 2019 HK\$'000 (restated)	Year on year change %
Total revenue	3,041,464	1,309,952	132.18
– Property leasing – retail	71,405	76,986	(7.25)
– Property leasing – non-retail	302,056	445,977	(32.27)
– Listed equity investments at fair value through other comprehensive income (“ FVTOCI ”)	1,967,680	Nil	N/A
– Investments and treasury products at fair value through profit or loss (“ FVTPL ”)	623,472	715,857	(12.91)
– Unlisted investments, investment holding and brokerage	12,299	5,256	134.00
– Others	64,552	65,876	(2.01)
Gross profit	2,961,526	1,266,455	133.84
Profit for the year	622,264	791,652	(21.40)
Total comprehensive expenses for the year	(4,978,586)	(282,120)	1,664.71

As depicted from the above table, property leasing (including retail and non-retail), listed equity investments at FVTOCI, investments and treasury products at FVTPL contributed most of the Group's total revenue during both years ended 31 December 2019 and 2020.

The Group recorded total revenue of approximately HK\$3.04 billion for the year ended 31 December 2020 (“**FY2020**”), representing an increase of approximately 132.18% as compared to that for the year ended 31 December 2019 (“**FY2019**”). With reference to the 2020 Annual Report, such increase in total revenue was mainly due to the dividend income from China Evergrande Group Shares. The Group recorded profit of approximately HK\$622 million for FY2020, representing a decrease of approximately 21.40% as compared to that for FY2019. With reference to the 2020 Annual Report, the decrease in Group's profit in FY2020 was mainly due to (a) decrease in profit from investments and treasury products at FVTPL; (b) increase in unrealised loss on fair value changes of investment properties; (c) the turnaround from share of profit from investments accounted for using the equity method to share of loss; and (d) decrease in net rental income, partially offset by (i) net dividend income from China Evergrande Group Shares (FY2019: Nil); (ii) increase in surrender premium and dilapidations settlement received from tenants in respect of properties in the United Kingdom (“**UK**”); and (iii) the absence of impairment loss of goodwill during FY2020.

The Group's retail and non-retail property leasing income decreased by approximately 7.25% and 32.27% respectively for FY2020 as compared to those for FY2019. With reference to the 2020 Annual Report, the decrease in property lease income was mainly due to an anchor tenant of an investment property in UK surrendered the lease during the first half of FY2020.

The Group recorded revenue from listed equity investments at FVTOCI of approximately HK\$1.97 billion for FY2020 (FY2019: Nil). This was mainly due to the fact that, during FY2020, the Group was entitled to the dividend declared by China Evergrande Group (being a major investment of the Group under its listed equity investments at FVTOCI) in respect of the two financial years ended 31 December 2018 and 2019 (such dividends were entitled in January 2020 and July 2020 respectively), whereas, during FY2019, the Group was not entitled to any dividend of China Evergrande Group. The Group's revenue from investments and treasury products at FVTPL decreased by approximately 12.91% from FY2019 to FY2020. This was mainly due to decrease in interest income from bonds and structured products.

Set out below is a summary of the unaudited consolidated financial performance of the Group for the six months ended 30 June 2021 (with comparative figures in 2020) as extracted from the Company's interim report for the six months ended 30 June 2021 (the "2021 Interim Report"):

	For the six months ended 30 June 2021 HK\$'000	For the six months ended 30 June 2020 HK\$'000 (restated)	Year on year change %
Total revenue	726,167	1,964,631	(63.04)
– Property development and trading	500	Nil	N/A
– Property leasing – retail	35,618	35,963	(0.96)
– Property leasing – non-retail	125,666	175,487	(28.39)
– Listed equity investments at FVTOCI	156,520	1,357,080	(88.47)
– Investments and treasury products at FVTPL	373,751	358,212	4.34
– Unlisted investments, investment holding and brokerage	3,980	5,812	(31.52)
– Others	30,132	32,077	(6.06)
Gross profit	689,525	1,938,932	(64.44)
(Loss)/profit for the period	(35,470)	785,981	N/A
Total comprehensive expenses for the period	(3,959,660)	(873,030)	(353.55)

As depicted from the above table, the Group recorded total revenue of approximately HK\$726.17 million for the six months ended 30 June 2021 (“1H2021”), representing a decrease of approximately 63.04% as compared to that for the corresponding period in 2020 (“1H2020”). The Group also recorded loss for 1H2021 as compared to profit for the corresponding period in 2020. With reference to the 2021 Interim Report, the decrease in the Group’s revenue and turnaround from profit-making position to loss-making position for 1H2021 was primarily due to decrease in dividend income from the China Evergrande Group Shares for 1H2021.

The Group’s retail property leasing income remained relatively stable and non-retail property leasing income decreased by approximately 28.39% for 1H2021 as compared to those for the corresponding period for 2020. With reference to the 2021 Interim Report, the decrease in non-retail property leasing income was mainly due to the aforesaid anchor tenant of an investment property in UK surrendered the lease during 1H2020.

The Group’s revenue from listed equity investments at FVTOCI decreased by approximately 88.47% for 1H2021 as compared to that for the corresponding period for 2020. With reference to the 2021 Interim Report, such decrease was mainly due to the decrease in dividend income from the China Evergrande Group Shares. We noted that, during 1H2021, the Group was entitled to the dividend declared by China Evergrande Group for the financial year ended 31 December 2020 (RMB0.152 per share) and, during 1H2020, the Group was entitled to the dividend declared by China Evergrande Group for the financial year ended 31 December 2018 (RMB1.419 per share) (such dividend was entitled in January 2020).

Financial position

Set out below is a summary of the consolidated financial position of the Group as at 31 December 2019, 31 December 2020 and 30 June 2021, as extracted from the 2020 Annual Report and the 2021 Interim Report:

	As at 30 June 2021 HK\$’000 (unaudited)	As at 31 December 2020 HK\$’000 (audited)	As at 31 December 2019 HK\$’000 (audited)
Investment properties	14,387,267	14,373,283	14,759,507
Financial assets measured at FVTOCI	10,350,162	14,407,220	20,182,543
Financial assets measured at FVTPL	5,188,800	3,550,536	9,038,353
Total assets	34,640,398	37,469,379	48,311,789
Total liabilities	(9,838,884)	(8,689,129)	(14,721,428)
Net current liabilities	(3,078,932)	(1,508,939)	(1,138,575)
Net assets	24,801,514	28,780,250	33,590,361

As depicted from the above table, the Group's investment properties, financial assets measured at FVTOCI and financial assets measured at FVTPL, in aggregate, accounted for approximately 91.03%, 86.29% and 86.39% of the Group's total assets as at 31 December 2019, 31 December 2020 and 30 June 2021 respectively. The carrying amounts of the Group's investment properties remained at similar level as at 31 December 2019, 31 December 2020 and 30 June 2021. The Group's financial assets measured at FVTOCI and financial assets measured at FVTPL in aggregate (together, the **"FV Financial Assets"**) decreased from approximately HK\$29.22 billion as at 31 December 2019 to approximately HK\$17.96 billion as at 31 December 2020, representing a decrease of approximately 38.54%. The FV Financial Assets further decreased to approximately HK\$15.54 billion as at 30 June 2021, representing a decrease of approximately 13.47% as compared to that as at 31 December 2020.

As noted from the 2020 Annual Report and the 2021 Interim Report, the aforesaid decreases of the FV Financial Assets were primarily due to the unrealised loss on fair value change of China Evergrande Group Shares. The cumulative unrealised loss on fair value change of China Evergrande Group Shares was approximately HK\$4.89 billion as at 30 June 2021. Furthermore, since 30 June 2021 and up to 13 August 2021, the fair value of the Group's equity investment in China Evergrande Group further declined by approximately HK\$3.78 billion.

As the Group recorded substantial total comprehensive expenses for FY2020 and 1H2021, the Group's net assets decreased from approximately HK\$33.59 billion as at 31 December 2019 to approximately HK\$24.80 billion as at 30 June 2021.

As depicted from the above table, the Group's recorded net current liabilities position as at 31 December 2019, 31 December 2020 and 30 June 2021. The Group's net current liabilities increased from approximately HK\$1.14 billion as at 31 December 2019 to approximately HK\$1.51 billion as at 31 December 2020, representing an increase of approximately 32.53%, and further increased to approximately HK\$3.08 billion as at 30 June 2021, representing an increase of approximately 104.05% as compared to that as at 31 December 2020. With reference to the 2020 Annual Report and the 2021 Interim Report, such net current liabilities position was mainly due to certain of the Group's current liabilities have been utilised to finance the Group's non-current assets.

Notwithstanding that the Group recorded net current liabilities of approximately HK\$3.08 billion as at 30 June 2021, with reference to the 2021 Interim Report, the Group's management closely monitors the Group's financial performance and liquidity position. In view of that (i) based on the then latest communication with banks that provide banking facilities to the Group, the Directors were not aware of any intention of the principal banks to withdraw their banking facilities or require early repayment of bank borrowings; (ii) the Group had unutilised loan facility from a Director as at 30 June 2021; and (iii) the Directors reviewed the Group's cash flow projection and were of the view that the Group would have sufficient financial resources to meet its financial obligations as and when they fall due in the twelve months from 30 June 2021, the Directors were of the opinion that there would be sufficient financial resources available to the Group to continue as a going concern.

Valuation of properties interest of the Group

The valuation reports (the “**Valuation Reports**”) prepared by B.I. Appraisals Limited (“**B.I.**”) and Peak Vision Appraisals Limited (“**Peak Vision**”) relating to the valuations of properties interests (excluding property interests of the associates in which the Company has a direct or indirect interest of less than 30% of voting rights) of the Group (the “**Properties**”) are set out in Appendix IIA and Appendix IIB to the Scheme Document respectively. According to the Valuation Reports, the total market value of the Properties was approximately HK\$16,399 million as at 30 September 2021.

For our due diligence purpose, we reviewed and enquired into (i) the terms of engagement of each of B.I. and Peak Vision with the Company; (ii) each of B.I.’s and Peak Vision’s qualification and experience in relation to the preparation of the Valuation Reports; and (iii) the steps and due diligence measures taken by each of B.I. and Peak Vision for conducting the valuations of the Properties. From the mandate letter and other relevant information provided by each of B.I. and Peak Vision and based on our interview with each of them, we are satisfied with the terms of engagement of B.I. and Peak Vision as well as each of their qualification and experience for the preparation of the Valuation Reports. Each of B.I. and Peak Vision also confirmed that they are independent to the Group and the Offeror Concert Parties.

Both B.I. and Peak Vision adopted the investment method and direct comparison method for the valuation of Properties. We understood that (i) by adopting investment method, the existing rental of the tenancies and the reversionary income potential are considered; and (ii) by adopting direct comparison method, the price for the sale of such property under existing status is considered by making reference to comparable transactions as available in the relevant market. We also noted that, for property held for development, B.I. (i) valued such property in accordance with the latest development proposal and thereby established the gross development value, being the market value of the proposed development of the property with the assumption that such property is fully completed at the valuation date, using direct comparison method; and (ii) considered the development costs incurred or to be incurred to complete the proposed development.

We further reviewed and enquired into B.I. and Peak Vision on the methodologies adopted and the basis and assumptions adopted in the Valuation Reports in order for us to understand the Valuation Reports. During our discussion with each of B.I. and Peak Vision, we did not identify any major factor which caused us to doubt the fairness and reasonableness of the methodology, principal bases, assumptions and parameters adopted for the Valuation Reports.

The Adjusted NAV

According to Appendix I to the Scheme Document, the Adjusted NAV was approximately HK\$16,823 million (and approximately HK\$8.82 per Share (the “**Adjusted NAV per Share**”)), prepared by the Company based on the unaudited net asset value of the Group attributable to owners of the Company as at 30 June 2021 and adjusted for:

- (i) revaluation surplus of the Properties of the Group, net of estimated deferred tax, if any;
- (ii) realised and unrealised fair value change on debt securities at fair value through profit or loss; and
- (iii) realised and unrealised fair value change on listed equity investment at fair value through other comprehensive income.

We consider the calculation of the Adjusted NAV to be reasonable to reflect an updated position of the Group after making the aforesaid adjustments subsequent to 30 June 2021.

Recent development, outlook and industry overview

With reference to the 2021 Interim Report, though inbound tourism remained frozen in Hong Kong, the performance of retail and food and beverage sectors show signs of improvement, but in a rather slow pace. Accordingly, it was expected that the Group’s investment properties will continue to face numerous challenges over the remainder of 2021. In UK, the rebound of new variants of the COVID-19 virus pose concerns. Nevertheless, as vaccination programme is well underway, it was expected that the short-term outlook for UK economy is favourable and will recover to pre-pandemic level. Despite the uncertainty, the Group preserves long-term view for UK economy. The Group’s immediate focus in UK is on asset enhancement works of its investment properties.

With reference to the 2021 Interim Report, for equity market, global equities had an active performance in second quarter of 2021, amid the economic recovery and rising inflationary expectations. In Hong Kong stock market, it showed some volatility in the first four months in 2021, Hang Sang Index fell from the highs in the first quarter of 2021 and thereafter consolidated in the second quarter. Despite the uncertainty about the direction of fiscal and monetary policies, the Group will keep an eye on its bond investment.

With reference to the Explanatory Statement, it was disclosed in the Disposal Mandate Announcement that the Directors are cautious and concerned about the recent development of China Evergrande Group including certain disclosures made by China Evergrande Group on its liquidity and going concern in its 2021 interim results announcement and an announcement dated 14 September 2021, and the possible consequences and possible material adverse change in relation to its financial and operating positions in the event that the remedial measures said to have been taken and to be taken by China Evergrande Group could not be effectively implemented. Furthermore, the Directors are aware and cautious that the share price of China Evergrande Group declined significantly in the recent months prior to the date of the Disposal Mandate Announcement.

During the period from 30 August 2021 to 21 September 2021 (both dates inclusive), the Group disposed of an aggregate of 108,909,000 China Evergrande Group Shares. Given the volatility of the stock market, and to allow flexibility in effecting the possible disposals at appropriate occasions, the Company sought the approval of the relevant Shareholders in lieu of a general meeting pursuant to Rule 14.44 of the Listing Rules for a grant of the Disposal Mandate to the Directors to dispose of, during the mandate period, all or part of the China Evergrande Group Shares held by the Group as at 23 September 2021. After obtaining the approval of the Disposal Mandate on 23 September 2021 and up to the Announcement Date, the Group further disposed of an aggregate of 168,776,000 China Evergrande Group Shares in the open market of the Stock Exchange. Since the Announcement Date and up to the Latest Practicable Date, the Group further disposed 269,102,000 China Evergrande Group Shares in the open market of the Stock Exchange. The Group expects to record substantial loss as a result of the aforesaid disposals and possible disposals under the Disposal Mandate, for the year ending 31 December 2021 (i.e. the Expected Realised Loss from China Evergrande Group Disposal and the Expected Aggregated Realised Loss from China Evergrande Group Disposal (as defined under the Explanatory Statement)).

As disclosed in the circular of the Company dated 18 November 2021, during the period from 19 October 2021 to 28 October 2021 (both dates inclusive), the Group disposed through a series of transactions in the over-the-counter market all the Kaisa Notes held by the Group with an aggregate principal amount of US\$255 million. The Group expects to record realised loss as a result of the aforesaid disposals for the year ending 31 December 2021 (i.e. the Expected Realised Loss from Disposal of Kaisa Notes (as defined under the Explanatory Statement)).

Details of the Relevant Financial Information (as defined under the Explanatory Statement), including (i) the Expected Realised Loss from China Evergrande Group Disposal; (ii) the Expected Aggregated Realised Loss from China Evergrande Group Disposal; (iii) the Expected Realised Loss from Disposal of Kaisa Notes; and (iv) the Expected Aggregated Loss from Fair Value Change on Financial Assets (as defined under the Explanatory Statement) which was applied to the calculation of the Adjusted NAV, are set out under the section headed “Relevant Financial Information” of the Explanatory Statement.

The Relevant Financial Information constitutes profit forecast under Rule 10 of the Takeovers Code and must be reported on by the financial adviser and the auditors or consultant accountants. We reviewed the Relevant Financial Information and its underlying bases and assumptions. We also discussed the above with the Directors and the senior management of the Company. In respect of the accounting policies and calculations concerned, upon which the Relevant Financial Information was made, we considered the reports as contained in Appendix IIIB-1, Appendix IIIB-2 and Appendix IIIB-3 to the Scheme Document addressed to the Board from HLB Hodgson Impey Cheng Limited (“**HLB**”), being the auditors of the Company. HLB is of the opinion that so far as the accounting policies and calculations are concerned, the Relevant Financial Information has been properly compiled in accordance with the bases adopted by the Directors and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the published consolidated financial statements of the Company for FY2020. Having considered the above, we are of the opinion that the Relevant Financial Information was made with due care and consideration. Our opinion above is also contained in Appendix IIIA-1, Appendix IIIA-2 and Appendix IIIA-3 to the Scheme Document.

As aforementioned, property leasing (including retail and non-retail), listed equity investments at FVTOCI, investments and treasury products at FVTPL contributed most of the Group's total revenue during both years ended 31 December 2019 and 2020. We understood from the 2020 Annual Report and the Directors that (a) the Group's principal investment properties mainly include (i) properties in Hong Kong that are for commercial, industrial and residential use; and (ii) properties in UK (in particular, London) that are for commercial and residential use; and (b) majority of the Group's investment portfolio is Hong Kong listed equity related. Accordingly, we conducted the following market researches on (a) the property leasing market in both Hong Kong and UK; and (b) the Hong Kong stock market.

Property leasing in Hong Kong

Set out below are the rental index of private domestic units, private offices, private retail units and private flatted factories in Hong Kong during the five years ended 31 December 2020 and up to September 2021, being the latest five full-year statistics and up to the latest month published by the Rating and Valuation Department of Hong Kong:

	September					
	2021	2020	2019	2018	2017	2016
	<i>(Note)</i>					
Rental index of private domestic units	183.8	180.3	194.4	193.0	182.6	168.2
Rental index of private offices	234.5	241.7	261.4	252.2	241.8	232.3
Rental index of private retail units	550.0	518.9	549.7	591.4	558.4	526.9
Rental index of private flatted factories	888.2	826.1	887.9	888.1	778.1	692.7

Note: Provisional figures

As shown in the above table, the rental indices for both private domestic units and private offices recorded year-on-year increase during each of the year 2017, 2018 and 2019. The rental index of private domestic units decreased from 194.4 in 2019 to 180.3 in 2020, representing a decrease of approximately 7.25%, and recovered slightly to 183.8 in September 2021. The rental index of private offices decreased from 261.4 in 2019 to 241.7 in 2020, representing a decrease of approximately 7.54%, and further decreased slightly to 234.5 in September 2021. The possibility and pace of recovery in both rental indices in near future are uncertain.

As shown in the above table, the rental indices for both private retail units and flatted factories recorded year-on-year increase during each of the year 2017 and 2018. The rental index of private retail units decreased from 591.4 in 2018 to 518.9 in 2020, representing a decrease of approximately 12.26%, and recovered to 550.0 in September 2021 (approximately 7.00% less than the index in 2018). The rental index of private flatted factories decreased from 888.1 in 2018 to 826.1 in 2020, representing a decrease of approximately 6.98%, and recovered to 888.2 in September 2021 (slightly higher than the index in 2018).

Property leasing in UK

Set out below are the rental price index of private housing in London during the five years ended 31 December 2020 and up to October 2021, being the latest five full-year statistics and up to the latest month published by the Office for National Statistics of UK:

	October					
	2021	2020	2019	2018	2017	2016
Rental price index of private housing in London (<i>Note</i>)	0.1	0.9	1.2	0.2	0.4	2.4

Note: The indices represent percentage change in past twelve months

As shown in the above table, the rental price index of private housing in London indicated increase in rental price of private housing in London from 2016 to 2020. Subsequent to the decrease in rental price index of private housing in London from 2019 to 2020 (indicating a decrease in rental price growth), the rental price index of private housing in London further decreased to 0.1 in October 2021.

As noted from a market survey published by the Royal Institute of Chartered Surveyors regarding UK commercial property market for the fourth quarter of 2020, the real estate sector in UK is still struggling against the economic pressures caused by the pandemic. The occupier demand for commercial property (represents the tenant demand in retail, office and industrial sectors) recorded a net balance of negative 27% for the fourth quarter of 2020 (being the proportion of respondent reporting rise in demand minus those reporting a fall in demand), although such decline is less severe than those recorded in the second and third quarter of 2020, when net balance of negative 55% and negative 33% were posted respectively. The disaggregated occupier demand for the retail and office sectors during the fourth quarter of 2020 remained steeped in negative territory (net balance of negative 78% for retail sector and negative 63% for office sector). As also noted from the survey, the net balance of rent expectations for all sector also recorded a significant decrease during the period from 2018 to 2020, being the new low since the recovery from the global financial crisis in 2008.

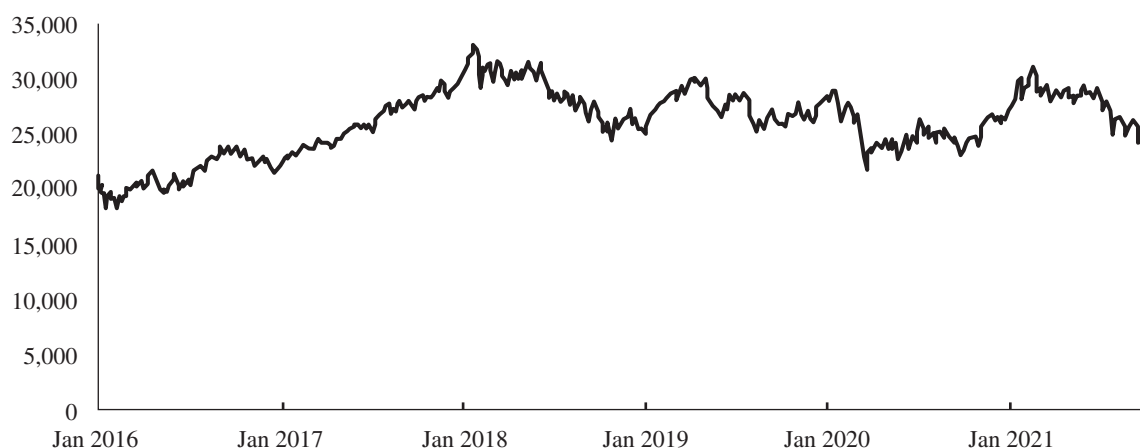
Furthermore, with reference to UK Economy and Property Market Chart Book regarding the fourth quarter of 2020 as published by the Royal Institute of Chartered Surveyors, the market sentiment appears to be more downbeat across London in comparison to the national average, occupier demand for London office space had declined over the course of the year pointing to a decline in office rental values across London in the first quarter of 2021.

The above findings indicated uncertainty in UK property market.

Hong Kong Stock Market

Set out below is a summary of the Hang Seng Index from 4 January 2016 to 6 October 2021 (the “**HSI Review Period**”), being the latest five full-year and up to the Announcement Date::

Historical daily closing of Hang Seng Index



As illustrated above, the closing Hang Seng Index were between 18,319.58 and 33,154.12 from 4 January 2016 to 12 February 2018. The closing Hang Seng Index fluctuated thereafter, along with a significant fall during February 2020 and March 2020 where the closing Hang Seng Index fell by 6,263.47. Despite the later resurgence during November 2020 to February 2021 where the closing Hang Seng Index reached 30,746.66 on 16 February 2021, the closing Hang Seng Index shown a general downward trend and reached 23,966.49 as at the Announcement Date.

The above figures indicated that the Hong Kong stock market has been volatile and formed a general downward trend from February 2021 up to the Announcement Date.

(3) Information on and intention of the Offeror with regard to the Company

With reference to the Board Letter, the Offeror is a business company incorporated in the BVI with limited liability and is an investment holding company. The Offeror is directly wholly-owned by Sino Omen Holdings Limited which is in turn held by Ms. HW Chan (as the trustee for her minor children). The main assets of the Offeror are the Shares it holds. The directors of the Offeror are Ms. HW Chan and Ms. Chan, Sze-wan.

With reference to the Explanatory Statement, following the implementation of the Proposal, the Offeror intends that the Group to maintain its existing business upon the successful privatisation of the Company. The Offeror has no intention to have the Shares listed in other markets and to make major changes to the business of the Group and the employment of the employees of the Group, save for those changes which the Offeror may from time to time implement following the review of its strategy relating the business, structure and/or direction of the Group.

(4) Reasons for and benefits of the Proposal

Detailed reasons for of the Proposal are set out under the section headed “9. REASONS FOR AND BENEFITS OF THE PROPOSAL” of the Explanatory Statement.

Set out below are the benefits of the Proposal from the perspective of (i) the Company and the Offeror; and (ii) the Scheme Shareholders according to the Explanatory Statement:

Benefits for the Company and the Offeror

With reference to the Explanatory Statement, the Proposal will eliminate the listing of the Company. It is considered that the delisting of the Company would reduce the costs and management resources associated with the maintenance of the listing of the Company on the Stock Exchange and its publicly listed status. It could also provide more flexibilities to the Group as a privately-owned business in formulating and implementing its long-term business strategies or to pursue other business opportunities and without having to focus on the short-term market reactions or regulatory restrictions and compliance obligations arising from being a company listed on the Stock Exchange.

Benefits for the Scheme Shareholders

With reference to the Explanatory Statement, the Cancellation Price of HK\$4.00 for each Scheme Share represents a premium of approximately 83.5% over the closing price of HK\$2.18 per Share as quoted on the Stock Exchange on the Last Full Trading Date and a premium of approximately 76.2% over the average closing price of approximately HK\$2.27 per Share for the 10 trading days up to and including the Last Full Trading Date, or a premium of approximately 50.9% over the average closing price of approximately HK\$2.65 per Share for the 30 trading days up to and including the Last Full Trading Date. The Proposal provides an opportunity for the Scheme Shareholders to exit their investments in the Company for all cash at a price above the prevailing market price.

While share price of the Company is generally at a downward trend in 2020 and 2021 up to the Last Full Trading Date, the trading volume of the Shares is low with the average daily trading volume of the Shares for the 12 months up to and including the Last Full Trading Date was approximately 388,506 Shares per day, representing only approximately 0.02% of the issued Shares and approximately 0.08% of the issued Shares held by the public Shareholders as at the Announcement Date. The low trading liquidity of the Shares could make it difficult for the Shareholders to execute substantial on-market disposals efficiently within a reasonable timeframe without affecting the market price of the Shares, and to dispose of a large number of Shares when any event that has an adverse impact on the price of the Shares occurs. The Proposal provides an option for the Scheme Shareholders to dispose their Shares without having to suffer from any illiquidity and settlement risk.

We performed a trading liquidity analysis of the Shares for the period from 5 October 2020 (being approximately one year prior to the Last Full Trading Date, which is a commonly adopted period for analysis) up to and including the Latest Practicable Date (the “**Shares Review Period**”). The number of trading days per month, the average daily number of the Shares traded per month, and the respective percentages of the Shares’ average daily trading volume as compared to (i) the total number of issued Shares held by the Scheme Shareholders as at the Latest Practicable Date; and (ii) the total number of Shares in issue as at the Latest Practicable Date during the Shares Review Period are tabulated below:

Month	Number of trading days	Average daily trading volume (the “Average Volume”) (the “Average Volume”) Number of Shares	% of the Average Volume to total number of issued Shares held by the Scheme Shareholders as at the Latest Practicable Date (Note 1) Approximate %	% of the Average Volume to total number of Shares in issue as at the Latest Practicable Date (Note 2) Approximate %
2020				
October	18	381,285	0.08	0.02
November	21	281,522	0.06	0.01
December	22	423,754	0.09	0.02
2021				
January	20	503,056	0.11	0.03
February	18	750,131	0.16	0.04
March	23	319,654	0.07	0.02
April	19	230,848	0.05	0.01
May	20	233,773	0.05	0.01
June	21	299,700	0.06	0.02
July	21	306,172	0.06	0.02
August	22	254,513	0.05	0.01
September	20	829,104	0.17	0.04
October	15	3,849,296	0.81	0.20
November (up to and including the Latest Practicable Date)	15	349,002	0.07	0.02

Source: the Stock Exchange’s website

Notes:

1. Based on 476,918,311 existing Shares held by the Scheme Shareholders as at the Latest Practicable Date.
2. Based on 1,907,619,079 Shares in issue as at the Latest Practicable Date.
3. Trading in the Shares was halted with effect from 9:48 a.m. on 29 September 2021 and resumed at 9:00 a.m. on 7 October 2021.

As illustrated from the table above, the Average Volume was thin during the Shares Review Period. From October 2020 to November 2021 (up to and including the Latest Practicable Date), the Average Volume in each month was (i) below 1.00% of the total number of issued Shares held by the Scheme Shareholders as at the Latest Practicable Date; and (ii) below 0.25% of the total number of Shares in issue as at the Latest Practicable Date. We did not identify any specific reason which caused the fluctuation of the Average Volume during the Shares Review Period.

In light of the above, we also consider that the trading liquidity of the Shares is low and disposal of a large number of the Shares by the Shareholders in the open market may have adverse impact on the price of the Shares.

Having also considered:

- (i) the financial performance and financial position of the Group as demonstrated under the section headed “(2) Information on the Group” above, in particular:
 - the decrease in the Group’s profit from FY2019 to FY2020;
 - the Group recorded loss for 1H2021 as compared to profit for the corresponding period in 2020;
 - as the Group recorded substantial total comprehensive expenses for FY2020 and 1H2021, the Group’s net asset value decreased from approximately HK\$33.59 billion as at 31 December 2019 to approximately HK\$24.80 billion as at 30 June 2021;
 - the Group’s net current liabilities increased from approximately HK\$1.14 billion as at 31 December 2019 to approximately HK\$1.51 billion as at 31 December 2020, and further increased to approximately HK\$3.08 billion as at 30 June 2021;
- (ii) the Company expects to record substantial loss as a result of the above-mentioned disposals of China Evergrande Group Shares, possible disposals under the Disposal Mandate and disposals of all the Kaisa Notes held by the Group, for the year ending 31 December 2021;
- (iii) the uncertainty in the Hong Kong and UK property market and volatility of the Hong Kong stock market as illustrated under the sub-section headed “(2) Information on the Group – Recent development, outlook and industry overview” above; and

- (iv) our analysis on the Cancellation Price as set out below,

we are also of the view that the Proposal provides the Scheme Shareholders with an opportunity to realise their investment in the Company for cash at a premium without having to suffer any illiquidity discount.

(5) The Cancellation Price

Cancellation Price comparison

The Cancellation Price of HK\$4.00 per Scheme Share represents:

- (i) a premium of approximately 7.24% over the closing price of HK\$3.73 per Share, as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 37.93% (the “**THD Premium**”) over the closing price of HK\$2.90 per Share, as quoted on the Stock Exchange on the Trading Halt Date;
- (iii) a premium of approximately 83.49% (the “**LFTD Premium**”) over the closing price of HK\$2.18 per Share, as quoted on the Stock Exchange on the Last Full Trading Date;
- (iv) a premium of approximately 82.65% over the average closing price of approximately HK\$2.19 per Share, based on the daily closing prices as quoted on the Stock Exchange over the five trading days up to and including the Last Full Trading Date;
- (v) a premium of approximately 50.94% (the “**30-day Premium**”) over the average closing price of approximately HK\$2.65 per Share, based on the daily closing prices as quoted on the Stock Exchange over the 30 trading days up to and including the Last Full Trading Date;
- (vi) a premium of approximately 35.14% over the average closing price of approximately HK\$2.96 per Share, based on the daily closing prices as quoted on the Stock Exchange over the 60 trading days up to and including the Last Full Trading Date;
- (vii) a premium of approximately 23.84% over the average closing price of approximately HK\$3.23 per Share, based on the daily closing prices as quoted on the Stock Exchange over the 90 trading days up to and including the Last Full Trading Date;
- (viii) a premium of approximately 12.68% over the average closing price of approximately HK\$3.55 per Share, based on the daily closing prices as quoted on the Stock Exchange over the 180 trading days up to and including the Last Full Trading Date;
- (ix) a discount of approximately 73.46% to the audited consolidated net asset value attributable to Shareholders per Share of approximately HK\$15.07 as at 31 December 2020 (having excluded the final dividend for 2020);

- (x) a discount of approximately 69.21% (the “**NAV Discount**”) to the unaudited consolidated net asset value attributable to Shareholders per Share of approximately HK\$12.99 as at 30 June 2021; and
- (xi) a discount of approximately 54.65% (the “**Adjusted NAV Discount**”) to the Adjusted NAV per Share of HK\$8.82.

Historical price performance of the Shares

Set out below is a chart showing the movement of the closing price of the Shares during the Shares Review Period (which is a commonly adopted period for analysis) to illustrate the general trend and movement of the closing price of the Shares.



Source: the Stock Exchange's website

Note: Trading in the Shares was halted with effect from 9:48 a.m. on 29 September 2021 and resumed at 9:00 a.m. on 7 October 2021.

During the Shares Review Period, the lowest and highest closing prices of the Shares as quoted on the Stock Exchange were HK\$2.12 per Share recorded on 24 September 2021 and HK\$4.30 per Share recorded on 18 February 2021. The Cancellation Price is closer to the high end of the closing price of the Shares during the entire Shares Review Period (representing a discount of approximately 6.98% to the highest closing price during the Shares Review Period).

The closing price of the Shares followed a general decreasing trend from the start of the Shares Review Period and reached HK\$3.46 on 14 January 2021. Subsequently, the closing price of the Shares bounced back and reached its peak at HK\$4.30 on 18 February 2021. Thereafter, the closing price of the Shares showed a generally downward trend and reached HK\$2.18 on the Last Full Trading Date (i.e. 28 September 2021).

The closing price of the Shares surged in the morning of 29 September 2021 prior to the trading halt of the Shares and further increased to HK\$3.82 after resumption of trading on 7 October 2021 (being the date following the publication of the Joint Announcement).

From 7 October 2021 to the Latest Practicable Date, the closing price of the Shares fluctuated between HK\$3.72 and HK\$3.83.

We did not identify any specific reason which caused the aforesaid fluctuation of the closing price of the Shares.

Comparison with other comparable companies

To further assess the fairness and reasonableness of the Cancellation Price, we performed the trading multiple analysis which includes the price to earnings ratio (“**PER**”) and price to book ratio (“**PBR**”) as below.

As abovementioned, property leasing (including retail and non-retail), listed equity investments at FVTOCI, investments and treasury products at FVTPL contributed most of the Group’s total revenue during both years ended 31 December 2019 and 2020. Accordingly, we searched for listed companies in Hong Kong which (i) are engaged in similar line of businesses of the Group, being the property leasing business and the investment business and derived more than 50% of their turnover from such businesses in aggregate, based on their respective latest published financial information; and (ii) had market capitalisation of below HK\$10 billion as at the Announcement Date (to exclude companies of substantially different scale with that of the Company which had market capitalisation of approximately HK\$4.16 billion as at the Last Full Trading Date), for comparison. We found 11 companies listed below which met the aforesaid criteria and they are exhaustive (the “**Comparable Company/(ies)**”).

Set out below are PERs and PBRs of the Comparable Companies based on their closing prices and their latest published financial information as at the Announcement Date:

Company name (Stock Code)	Principal business	Market capitalisation <i>Approximately HK\$ million</i>	Year-end date	PER <i>(Note 1)</i>	PBR <i>(Note 2)</i>
Far East Holdings International Limited (36)	Property investment and securities investment	135.05	31 December 2020	1.45	0.18
Nanyang Holdings Limited (212)	Property investment and investment holding and trading	1,341.73	31 December 2020	15.46	0.25
Pioneer Global Group Limited (224)	Investment in properties and hotels that earn rental and returns in hotel operation and other investments that generate dividend and interest income	1,211.74	31 March 2021	4.14	0.16
Pokfulam Development Company Limited (225)	Property investment and management, trading of visual and sound equipment and securities investment	1,231.81	30 September 2020	N/A <i>(Note 3)</i>	0.23
Safety Godown Company, Limited (237)	Property investment, holding and operation of godown and securities trading	1,348.65	31 March 2021	N/A <i>(Note 3)</i>	0.31
S E A Holdings Limited (251)	Property development, property investment, hotel operation and financial investment	3,721.12	31 December 2020	24.65	0.63
Asiasec Properties Limited (271)	Property investment (including by way of equity investment), property leasing and estate management	1,935.44	31 December 2020	N/A <i>(Note 3)</i>	0.45

Company name (Stock Code)	Principal business	Market capitalisation <i>Approximately HK\$ million</i>	Year-end date	PER <i>(Note 1)</i>	PBR <i>(Note 2)</i>
Tern Properties Company Limited (277)	Property investment, securities investment and treasury management	828.93	31 March 2021	N/A <i>(Note 3)</i>	0.29
Winfair Investment Company Limited (287)	Property and share investments, property development and securities dealings	352.00	31 March 2021	N/A <i>(Note 3)</i>	0.30
China Oceanwide Holdings Limited (715)	Property investment, real estate development and the development in the energy sector as well as finance investment and others	2,098.54	31 December 2020	N/A <i>(Note 3)</i>	0.24
Multifield International Holdings Limited (898)	Property investment, provision of serviced apartment and property management services and trading of securities and investment holding	928.04	31 December 2020	24.84	0.12
			Maximum	24.84	0.63
			Minimum	1.45	0.12
			Average	14.11	0.29
			Median	15.46	0.25
The Company (the Proposal)		4,158.61		12.26 <i>(Note 4)</i>	0.31 <i>(Note 5)</i>

Notes:

1. The PERs of the Comparable Companies were calculated based on their respective latest published annual results and their respective closing prices as quoted on the Stock Exchange and total issued shares as at the Announcement Date.
2. The PBRs of the Comparable Companies were calculated based on their respective net assets attributable to the owners of the company according to their latest published annual results or interim results and their respective closing prices as quoted on the Stock Exchange and total issued shares as at the Announcement Date.
3. The subject company recorded loss attributable to the owners of the company in its latest financial year.
4. The implied PER of the Proposal was calculated based on the Cancellation Price and the profit attributable to owners of the Company for FY2020.
5. The implied PBR of the Proposal was calculated based on the Cancellation Price and the net asset value attributable to owners of the Company as at 30 June 2021.

The PERs of the Comparable Companies ranged from 1.45 times to 24.84 times, with an average of 14.11 times and a median of 15.46 times. The implied PER of the Proposal is within the said PER range of the Comparable Companies and below the average and median of the Comparable Companies.

The PBRs of the Comparable Companies ranged from 0.12 times to 0.63 times, with an average of 0.29 times and a median of 0.25 times. The implied PBR of the Proposal is within the said PBR range of the Comparable Companies and higher than the average and median of the Comparable Companies.

Should the Adjusted NAV apply, the implied PBR of the Proposal would be approximately 0.45 times, which is within the said PBR range of the Comparable Companies and higher than the average and median of the Comparable Companies.

Comparison with other privatisation transactions

To further assess the fairness and reasonableness of the Cancellation Price, we searched for approved privatisation transactions announced by listed companies in Hong Kong from 1 October 2020 (being approximately one year prior to the Announcement Date) up to the Latest Practicable Date, excluding transactions involving share consideration (Note: The consideration shares have different investment values which were based on factors such as background and industry of the subject company, the share price performance and liquidity. We consider that share consideration and cash consideration are different in nature, and privatisation transactions with share consideration is not directly comparable with those with cash consideration.) and transactions which required acceptance level not being or yet to be achieved (the “**Privatisation Cases**”). To the best of our knowledge and as far as we are aware of, we found 21 Privatisation Cases which meet the aforesaid criteria for comparison and they are exhaustive.

Company name (stock code)	Initial announcement date of the privatisation (Note 1)	Premium of the offer/cancellation price over closing price per share on last full trading day prior to the publication of announcement in relation to the respective proposal (Note 2) Approximate %	Premium of the cancellation price over/to average closing price per share for the 30 full trading days prior to the publication of announcement in relation to the respective proposal (Note 3) Approximate %	Premium/ (discount) of cancellation price over/to the respective then net asset value attributable to owners of the company per share (Note 4) Approximate %
CIMC-TianDa Holdings Company Limited (445)	4 October 2020	20.36	18.22	24.30
Shanghai Prime Machinery Company Limited (2345)	15 October 2020	107.79	110.53	(40.96)
Powerleader Science & Technology Group Limited* (8236)	19 October 2020	8.29	10.11	(51.55)
Tonly Electronics Holdings Limited (1249)	30 October 2020	19.05	27.93	88.09
CAR Inc. (699)	13 November 2020	17.99	52.09	103.05
I.T Limited (999)	6 December 2020	84.05	141.94	73.11

Company name (stock code)	Initial announcement date of the privatisation (Note 1)	Premium of the offer/ cancellation price over closing price per share on last full trading day prior to the publication of announcement in relation to the respective proposal (Note 2) Approximate %	Premium of the cancellation price over/to average closing price per share for the 30 full trading days prior to the publication of announcement in relation to the respective proposal (Note 3) Approximate %	Premium/ (discount) of cancellation price over/to the respective net asset value attributable to owners of the company per share (Note 4) Approximate %
Rivera (Holdings) Limited (281)	17 December 2020	62.50	63.73	(33.13)
SHK Hong Kong Industries Limited (666)	18 December 2020	50.00	56.72	(21.64)
Huifu Payment Limited (1806)	22 December 2020	26.81	47.06	81.35
China Machinery Engineering Corporation* (1829)	13 January 2021	45.10	118.93	(29.39)
HKC (Holdings) Limited (190)	17 January 2021	128.57	127.92	(70.16)
Zhejiang New Century Hotel Management Co., Ltd. (1158)	20 January 2020	24.66	20.76	185.83
Polytec Asset Holdings Limited (208)	21 January 2020	61.29	72.55	(51.65)
Zhuhai Holdings Investment Group Limited (908)	22 January 2020	37.84	52.39	76.37
Zhejiang Cangnan Instrument Group Company Limited (1743)	5 February 2021	15.18	18.03	20.22
Sichuan Languang Justbon Services Group Co., Ltd. (2606)	25 February 2021	39.41	46.76	201.67

Company name (stock code)	Initial announcement date of the privatisation (Note 1)	Premium of the offer/cancellation price over closing price per share on last full trading day prior to the publication of announcement in relation to the respective proposal (Note 2) Approximate %	Premium of the cancellation price over/to average closing price per share for the 30 full trading days prior to the publication of announcement in relation to the respective proposal (Note 3) Approximate %	Premium/ (discount) of cancellation price over/to the respective net asset value attributable to owners of the company per share (Note 4) Approximate %
Xiezhong International Holdings Limited (3663)	28 February 2021	17.65	25.00	116.22
Chong Hing Bank Limited (1111)	18 May 2021	96.67	107.38	(10.11) (Note 5)
Bestway Global Holding Inc. (3358)	25 June 2021	26.96	46.98	10.89
Beijing Capital Land Ltd. (2868)	9 July 2021	62.79	127.64	(37.78)
Nature Home Holding Company Limited (2083)	27 July 2021	39.34	31.78	(23.08)
Maximum		128.57	141.94	201.67
Minimum		8.29	10.11	(70.16)
Average		47.27	63.07	29.13
Median		39.34	52.09	10.89
The Company	6 October 2021	LFTD Premium: 83.49 THD Premium: 37.93	30-day Premium: 50.94	NAV Discount: (69.21) Adjusted NAV Discount: (54.65)

Notes:

1. The date of the Takeovers Code Rule 3.5 announcement or Rule 3.7 announcement, whichever earlier.
2. The premium/(discount) of offer/cancellation price over/to closing price per share on last full trading day prior to the publication of initial announcement in relation to the respective privatisation (such date was chosen to exclude the effect of market reaction to the respective privatisation).
3. The premium/(discount) of offer/cancellation price over/to average closing price per share on the 30 full trading days prior to the publication of initial announcement in relation to the respective privatisation (such date was chosen to exclude the effect of market reaction to the respective privatisation).
4. With reference to the relevant announcements, composite documents, offer documents, scheme documents and based on the respective then published net asset value attributable to shareholders of the subject companies.
5. The figure is calculated with the exclusion of additional equity instrument.

As shown above, the LFTD Premium falls within the relevant range of the Privatisation Cases and is higher than the average and median of the Privatisation Cases. The THD Premium falls within the relevant range of the Privatisation Cases and is lower than the average and median of the Privatisation Cases. The 30-day Premium falls within the relevant range of the Privatisation Cases and is lower than the average and median of the Privatisation Cases.

The NAV Discount falls within the relevant range of the Privatisation Cases and is in contrast to the average and median premiums of the Privatisation Cases (i.e. the Cancellation Price represents discount to the unaudited consolidated net asset value attributable to Shareholders per Share as at 30 June 2021, whereas the average and median of the Privatisation Cases are premiums).

Despite that (i) the THD Premium is lower than the average and median of the Privatisation Cases; (ii) the 30-day Premium is lower than the average and median of the Privatisation Cases; (iii) the NAV Discount is in contrast to the average and median premiums of the Privatisation Cases, taking into account that:

- (i) the Cancellation Price is closer to the high end of the closing price of the Shares during the entire Shares Review Period (representing a discount of approximately 6.98% to the highest closing price during the Shares Review Period);
- (ii) the LFTD Premium falls within the relevant range of the Privatisation Cases and is higher than the average and median of the Privatisation Cases;
- (iii) the THD Premium and the 30-day Premium are within the relevant ranges;
- (iv) the Adjusted NAV Discount is approximately 54.65% and the implied PBR of the Proposal would be approximately 0.45 times based on the Adjusted NAV (which would be much higher than that of the average and median of the Comparable Companies); and

- (v) the closing prices of the Shares on 30 June 2021, 31 December 2020 and 30 June 2020 represented discounts of approximately 72.13%, 74.93%, and 69.99% to the consolidated net asset value attributable to Shareholders per Share as at 30 June 2021, 31 December 2020 and 30 June 2020 respectively,

we consider the Cancellation Price to be fair and reasonable and we are of the view that the Scheme provides an exit alternative for the Scheme Shareholders who would like to realise their investments in the Shares.

RECOMMENDATION

Having taken into consideration the principal factors and reasons as discussed above, in particular:

- I. the Proposal provides the Scheme Shareholders with an opportunity to realise their investments in the Company for cash at a premium without having to suffer any illiquidity discount, after taking into account:
 - (i) the trading liquidity of the Shares is low and disposal of a large number of Shares by Shareholders in the open market may have adverse impact on the price of Shares;
 - (ii) the financial performance and financial position of the Group as demonstrated under the section headed “(2) Information on the Group” above, in particular:
 - the decrease in the Group’s profit from FY2019 to FY2020;
 - the Group recorded loss for 1H2021 as compared to profit for the corresponding period in 2020;
 - as the Group recorded substantial total comprehensive expenses for FY2020 and 1H2021, the Group’s net asset value decreased from approximately HK\$33.59 billion as at 31 December 2019 to approximately HK\$24.80 billion as at 30 June 2021;
 - the Group’s net current liabilities increased from approximately HK\$1.14 billion as at 31 December 2019 to approximately HK\$1.51 billion as at 31 December 2020, and further increased to approximately HK\$3.08 billion as at 30 June 2021;
 - (iii) the Company expects to record substantial loss as a result of the above-mentioned disposals of China Evergrande Group Shares, possible disposals under the Disposal Mandate and disposals of all the Kaisa Notes held by the Group, for the year ending 31 December 2021;
 - (iv) the uncertainty in the Hong Kong and UK property market and volatility of the Hong Kong stock market as illustrated under the sub-section headed “(2) Information on the Group – Recent development, outlook and industry overview” above; and
 - (v) our analysis on the Cancellation Price as set out above; and

- II. the Cancellation Price being fair and reasonable based on our analysis on the Cancellation Price as set out above,

we are of the opinion that the terms of the Proposal are fair and reasonable. Accordingly, we advise the Independent Board Committee to recommend the Disinterested Scheme Shareholders to vote in favour of the relevant resolution(s) to be proposed at the Scheme Meeting and the SGM to approve the Proposal and the Scheme.

As different Shareholders would have different investment criteria, objectives and/or circumstances, we would recommend any Shareholders who may require advice in relation to any aspect of the Scheme Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

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.

* *for identification purposes only*

This explanatory statement constitutes the statement required under Section 100 of the Companies Act.

1. INTRODUCTION

Pursuant to the Joint Announcement, the Offeror and the Company jointly announced that on 28 September 2021, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under Section 99 of the Companies Act.

If the Proposal is approved and implemented, on the Effective Date:

- (a) all Scheme Shares held by the Scheme Shareholders will be cancelled in exchange for the payment of the Cancellation Price of HK\$4.00 in cash for each Scheme Share cancelled;
- (b) simultaneously with the cancellation of the Scheme Shares, the issued share capital of the Company will be maintained at the amount immediately prior to the cancellation of the Scheme Shares by issuing to the Offeror such number of new Shares as is equal to the number of Scheme Shares cancelled, credited as fully paid, by applying the credit created as a result of the cancellation of the Scheme Shares in paying up in full at par such new Shares;
- (c) the Company will be owned as to (i) approximately 62.92% by the Offeror; and (ii) approximately 24.97% by Century Frontier and approximately 12.11% by JLLH Investments, each an Offeror Concert Party; and
- (d) the Company will apply to the Stock Exchange for the withdrawal of listing of the Shares on the Stock Exchange pursuant to Rule 6.15(2) of the Listing Rules so that such withdrawal is to take place as soon as practicable after the Effective Date. Further announcement will be made in relation to the date of withdrawal of listing of the Shares on the Stock Exchange.

The purpose of this Explanatory Statement is to explain the terms and effects of the Proposal and to provide the Scheme Shareholders with other relevant information in relation to the Proposal, in particular, to provide the intentions of the Offeror with regard to the Group and the shareholding structure of the Company before and after the Scheme.

The particular attention of the Scheme Shareholders is drawn to the following sections of this Scheme Document: (i) the “Letter from the Board” in Part III; (ii) the “Letter from the Independent Board Committee” in Part IV; (iii) the “Letter from Gram Capital” in Part V; and (iv) the terms of the Scheme as set out in Appendix V to this Scheme Document.

2. THE PROPOSAL

The Proposal will be implemented by way of the Scheme.

2.1 The Scheme

Upon the Scheme becoming effective, all the Scheme Shares held by the Scheme Shareholders will be cancelled in exchange for payment of the Cancellation Price of HK\$4.00 in cash for each Scheme Share cancelled. Under the Scheme, the total consideration payable for the Scheme Shares will be payable by the Offeror.

As at the Latest Practicable Date, the Company had 1,907,619,079 Shares in issue. 476,918,311 Scheme Shares were in issue, representing approximately 25.01% of the issued share capital of the Company as at the Latest Practicable Date.

The Company had no outstanding options, warrants, derivatives, convertible securities or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company as at the Latest Practicable Date.

The Cancellation Price of HK\$4.00 per Scheme Share represents:

- (a) a premium of approximately 83.5% over the closing price of HK\$2.18 per Share, as quoted on the Stock Exchange on the Last Full Trading Date;
- (b) a premium of approximately 82.6% over the average closing price of approximately HK\$2.19 per Share, based on the daily closing prices as quoted on the Stock Exchange over the 5 trading days up to and including the Last Full Trading Date;
- (c) a premium of approximately 50.9% over the average closing price of approximately HK\$2.65 per Share, based on the daily closing prices as quoted on the Stock Exchange over the 30 trading days up to and including the Last Full Trading Date;
- (d) a premium of approximately 35.1% over the average closing price of approximately HK\$2.96 per Share, based on the daily closing prices as quoted on the Stock Exchange over the 60 trading days up to and including the Last Full Trading Date;
- (e) a premium of approximately 12.7% over the average closing price of approximately HK\$3.55 per Share, based on the daily closing prices as quoted on the Stock Exchange over the 180 trading days up to and including the Last Full Trading Date;
- (f) a discount of approximately 73.5% to the audited consolidated net asset value attributable to Shareholders per Share of approximately HK\$15.07 as at 31 December 2020 (having excluded the final dividend for 2020);
- (g) a discount of approximately 69.2% to the unaudited consolidated net asset value attributable to Shareholders per Share of approximately HK\$12.99 as at 30 June 2021;

- (h) a discount of approximately 54.6% to the Adjusted NAV per Share of approximately HK\$8.82, the calculation of which is set out in the sub-paragraph headed “The Adjusted NAV” under paragraph headed “5. Adjusted Net Asset Value of the Group” in Appendix I to this Scheme Document;
- (i) a premium of approximately 37.9% over the closing price of HK\$2.90 per Share, as quoted on the Stock Exchange on the Trading Halt Date; and
- (j) a premium of approximately 7.2% over the closing price of HK\$3.73 per Share, as quoted on the Stock Exchange on the Latest Practicable Date.

During the six-month period preceding the Trading Halt Date and ending on the Latest Practicable Date, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$4.07 per Share on 30 March 2021, and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$2.12 per Share on 24 September 2021.

The Cancellation Price has been determined after taking into account, amongst other things, the challenging, uncertain and difficult operating environment encountered by the Group, the recent and historic trading prices of the Shares and the factors as set out in the paragraph headed “9. Reasons for and Benefits of the Proposal” in this Explanatory Statement and with reference to other similar privatisation transactions relating to companies listed on the Stock Exchange in recent years.

The Cancellation Price of HK\$4.00 per Scheme Share will not be increased, and the Offeror does not reserve the right to do so.

As at the Latest Practicable Date, the Company had not declared any dividend which remains unpaid and does not intend to declare and/or pay any dividend or other distribution on or before the Effective Date or the date on which the Scheme is not approved, or the Proposal otherwise lapses (as the case may be).

If, after the Latest Practicable Date, any dividend or other distribution is made or paid to the Shareholders whose names appear on the register of members of the Company as at such a record date for determining the entitlement to dividend or distribution (if any) declared by the Company falling on or before the Effective Date, the Shareholders will be entitled to receive such dividend or distribution (if any) and the amount of the Cancellation Price of each Scheme Share will be reduced by the same amount of such dividend or distribution per Share paid. The Company does not expect to declare any dividend or other distribution on or before the Effective Date.

2.2 Total consideration

As at the Latest Practicable Date, the Scheme Shares comprised 476,918,311 Shares in issue, representing approximately 25.01% of the total issued share capital of the Company as at the Latest Practicable Date.

On the assumption that there is no other change in the shareholding structure of the Company before completion of the Proposal, the total maximum cash consideration payable under the Scheme will be HK\$1,907,673,244.

Payment of the cash consideration under the Scheme will be funded by the internal cash resources of the Offeror.

Southwest Securities, as the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy the maximum amount of cash consideration required to effect the Proposal.

3. CONDITIONS OF THE PROPOSAL AND THE SCHEME

The Proposal and the Scheme will become effective and binding on the Company and all Scheme Shareholders subject to the fulfilment or waiver (as applicable) of the following Conditions:

- (a) the approval of the Scheme (by way of poll) by a majority in number of the Scheme Shareholders representing not less than three-fourths in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Scheme Meeting;
- (b) the approval of the Scheme (by way of poll) by not less than three-fourths of the votes attaching to the Scheme Shares held by the Disinterested Scheme Shareholders that are voted either in person or by proxy at the Scheme Meeting, provided that the number of votes cast (by way of poll) against the resolution to approve the Scheme is not more than 10% of the votes attaching to all the Scheme Shares held by all the Disinterested Scheme Shareholders;
- (c) the passing of the relevant special resolution(s) by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting, in person or by proxy, at the SGM, to approve amongst other things, (i) any reduction of the issued share capital of the Company associated with the cancellation of the Scheme Shares; and (ii) the simultaneous maintenance of the issued share capital of the Company at the amount immediately prior to the cancellation of the Scheme Shares by issuing to the Offeror such number of new Shares, credited as fully paid, as is equal to the number of Scheme Shares cancelled by applying the credit created as a result of the cancellation of the Scheme Shares to pay up in full at par such new Shares;
- (d) the sanction of the Scheme (with or without modifications) by the Court and the delivery to the Registrar of Companies of a copy of the order of the Court for registration;
- (e) to the extent necessary, compliance with the procedural requirements and conditions under Section 46(2) of the Companies Act in relation to any reduction of the issued share capital of the Company associated with the cancellation of the Scheme Shares;
- (f) all Authorisations (if any) having been obtained or made from, with or by (as the case may be) the Relevant Authorities in Bermuda, Hong Kong and any other relevant jurisdictions;

- (g) all Authorisations (if any) remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme becomes effective;
- (h) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order), in each case, which would make the Proposal or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material conditions or obligations with respect to the Proposal or its implementation in accordance with its terms), other than such actions, proceedings, suits, investigations or enquiries as would not have a material adverse effect on the legal ability of the Offeror to proceed with the Proposal; and
- (i) all necessary consents (including consents from the relevant lenders) in connection with the Proposal and the withdrawal of listing of the Shares on the Stock Exchange which may be required under any existing contractual obligations of any member of the Group being obtained and remaining in effect.

Conditions (a) to (e) cannot be waived. The Offeror reserves the right to waive all or any of Conditions (f) to (i), to the extent permissible by relevant laws and regulations, the Listing Rules and the Takeovers Code, either in whole or in respect of any particular matter. The Company does not have the right to waive any of the Conditions. All of the Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Proposal and the Scheme will lapse. If the Proposal and/or the Scheme is withdrawn, not approved or lapses, the listing of the Shares on the Stock Exchange will not be withdrawn.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Proposal if the circumstances which give rise to a right to invoke any such Condition are of material significance to the Offeror in the context of the Proposal.

With reference to the Condition (f), as at the Latest Practicable Date, each of the Offeror and the Company was not aware of any requirement for such Authorisations other than those set out in the Conditions (a) to (e).

With reference to the Condition (h), as at the Latest Practicable Date, each of the Offeror and the Company was not aware of any such action, proceeding, suit, investigation, statute, regulation, demand or order.

With reference to the Condition (i), as at the Latest Practicable Date, each of the Offeror and the Company was not aware of any such consents apart from obtaining consents from several financial institutions in relation to a number of facility letters.

If the Conditions are satisfied or waived (as applicable), the Scheme will be binding on all of the Scheme Shareholders, irrespective of whether or not they attended or voted at the Scheme Meeting or the SGM.

As at the Latest Practicable Date, none of the Conditions had been fulfilled or waived (as applicable). Assuming that all of the Conditions are fulfilled or waived (as applicable), it is expected that the Scheme will become effective on Monday, 10 January 2022 (Bermuda time) and the listing of the Shares on the Stock Exchange will be withdrawn at 9:00 a.m. on Thursday, 13 January 2022 pursuant to Rule 6.15(2) of the Listing Rules. Further announcements will be made in relation to the results of the Scheme Meeting and the SGM and, if all of the resolutions are passed at those meetings, the results of the Court Hearing, the Effective Date and the date of withdrawal of the listing of the Shares on the Stock Exchange.

WARNING: Shareholders and potential investors of the Company should be aware that the Proposal is subject to the Conditions being fulfilled or waived, as applicable, and therefore the Proposal may or may not be implemented. Shareholders and potential investors of the Company should therefore exercise caution when dealing in securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

4. THE SCHEME AND THE SCHEME MEETING

Pursuant to Section 99 of the Companies Act, where an arrangement is proposed between a company and its members or any class of them, the Court may, on the application of the company or of any member of the company, order a meeting of the members of the company or class of members, as the case may be, to be summoned in such manner as the Court directs.

It is expressly provided in Section 99 of the Companies Act that if a majority in number representing not less than three-fourths in value of the members or class of members, as the case may be, present and voting either in person or by proxy at the meeting (convened as directed by the Court as aforesaid), agree to any arrangement, the arrangement shall, if sanctioned by the Court, be binding on the members or class of members, as the case may be, and also on the company.

5. ADDITIONAL REQUIREMENTS AS IMPOSED BY RULE 2.10 OF THE TAKEOVERS CODE

In addition to satisfying any requirements imposed by the Companies Act as summarised above, other than with the consent of the Executive to dispense with compliance or strict compliance therewith, Rule 2.10 of the Takeovers Code requires that the Scheme may only be implemented if:

- (a) the Scheme is approved by the Disinterested Scheme Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by the Disinterested Scheme Shareholders that are voted either in person or by proxy at the Scheme Meeting; and
- (b) the number of votes cast by the Disinterested Scheme Shareholders present and voting either in person or by proxy at the Scheme Meeting against the resolution to approve the Scheme at the Scheme Meeting is not more than 10% of the votes attaching to all Scheme Shares held by all the Disinterested Scheme Shareholders.

As at the Latest Practicable Date, the Disinterested Scheme Shareholders held in aggregate 408,382,486 Scheme Shares. On that basis, 10% of the votes attached to Scheme Shares held by all the Disinterested Scheme Shareholders referred to in paragraph (b) above would therefore represent approximately 40,838,249 Scheme Shares as at the Latest Practicable Date.

6. BINDING EFFECT OF THE SCHEME

If the Scheme is approved at the Scheme Meeting in accordance with the requirements of Section 99 of the Companies Act and Rule 2.10 of the Takeovers Code, as described above, and is sanctioned by the Court and the other Conditions are either fulfilled or (to the extent permitted) waived, the Scheme will be binding on the Company and all Scheme Shareholders, regardless of how they voted (or whether they voted) at the Scheme Meeting and the SGM.

7. EFFECT OF THE PROPOSAL ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$500,000,000 divided into 5,000,000,000 Shares of par value of HK\$0.10 each, and the Company had 1,907,619,079 Shares in issue.

As at the Latest Practicable Date, the Offeror, Century Frontier and JLLH Investments beneficially owned or controlled 1,430,700,768 Shares in aggregate, representing approximately 74.99% of the issued share capital of the Company. Such Shares will not form part of the Scheme Shares and will not be cancelled upon the Scheme becoming effective. Each of the Offeror, Century Frontier and JLLH Investments will not be entitled to vote on the Scheme at the Scheme Meeting.

As at the Latest Practicable Date, other Offeror Concert Parties (excluding Century Frontier and JLLH Investments), being close relatives of Ms. HW Chan and her spouse, and companies controlled by such close relatives, were interested in 68,535,825 Shares in aggregate (representing approximately 3.60% of the issued share capital of the Company). Such Shares will form part of the Scheme Shares. All the relevant Offeror Concert Parties who hold any Scheme Shares will abstain from voting on the Scheme at the Scheme Meeting.

As at the Latest Practicable Date, the Disinterested Scheme Shareholders were interested in 408,382,486 Shares, representing approximately 21.41% of the issued share capital of the Company. Such Shares will form part of the Scheme Shares.

The table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon the Scheme becoming effective, assuming that there is no other changes in the shareholding of the Company between the Latest Practicable Date and the Effective Date:

Shareholder	As at the Latest Practicable Date		Immediately upon the Scheme becoming effective	
	Number of Shares	Approximate % of the issued share capital of the Company	Number of Shares	Approximate % of the issued share capital of the Company
Offeror ⁽¹⁾	723,290,948	37.91	1,200,209,259	62.92
Offeror Concert Parties				
<i>Shares held not subject to the Scheme</i>				
– Century Frontier ⁽²⁾	476,425,000	24.97	476,425,000	24.97
– JLLH Investments ⁽²⁾	230,984,820	12.11	230,984,820	12.11
Sub-total:	1,430,700,768	74.99	1,907,619,079	100.00
Other Offeror Concert Parties who hold Shares				
<i>Shares held subject to the Scheme but the holders of which are not Disinterested Scheme Shareholders</i>				
– Favor Gain Limited ⁽³⁾	50,000,000	2.62	–	–
– Ms. Chung, Siu-kuen ⁽⁴⁾	11,743,000	0.62	–	–
– Ms. Mary Lau, Yuk-chun ⁽⁵⁾	3,176,000	0.17	–	–
– Union Field Ltd. ⁽⁶⁾	1,505,725	0.08	–	–
– WinPath Limited ⁽⁶⁾	1,359,112	0.07	–	–
– Chaker Investments Ltd. ⁽⁶⁾	751,988	0.04	–	–
Sub-total:	68,535,825	3.60	–	–
Sub-total: Offeror and all Offeror Concert Parties	1,499,236,593	78.59	1,907,619,079	100.00
Disinterested Scheme Shareholders	408,382,486	21.41	–	–
Total no. of Shares in issue	1,907,619,079	100.00	1,907,619,079	100.00
Total no. of Scheme Shares	476,918,311	25.01	–	–

Notes:

As at the Latest Practicable Date:

- (1) Ms. HW Chan (as the trustee for her minor children) directly held the entire issued share capital of Sino Omen Holdings Limited which in turn directly held the entire issued share capital of the Offeror.

- (2) Each of Century Frontier and JLLH Investments was directly wholly-owned by the Offeror. Ms. HW Chan was the ultimate holder (as the trustee for her minor children) of all the Shares directly held by the Offeror, Century Frontier and JLLH Investments, which in aggregate amounted to approximately 74.99% of the issued share capital of the Company.
- (3) Such 50,000,000 Shares were directly held by Favor Gain Limited which was a company wholly-owned by Mr. Thomas Lau, Luen-hung, a younger brother of Ms. HW Chan's spouse.
- (4) Such 11,743,000 Shares were directly held by Ms. Chung, Siu-kuen, Ms. HW Chan's mother.
- (5) Such 3,176,000 Shares were directly held by Ms. Mary Lau, Yuk-chun, a younger sister of Ms. HW Chan's spouse.
- (6) Such 1,505,725 Shares, 1,359,112 Shares and 751,988 Shares were directly held by Union Field Ltd., WinPath Limited and Chaker Investments Ltd. respectively. Each of Union Field Ltd., WinPath Limited and Chaker Investments Ltd. was a company wholly-owned by Ms. Mary Lau, Yuk-chun, a younger sister of Ms. HW Chan's spouse.

8. IRREVOCABLE UNDERTAKINGS TO ACCEPT THE PROPOSAL

As at the Latest Practicable Date, none of the Offeror and the Offeror Concert Parties had received any irrevocable commitment from any Shareholder in respect of voting at the Scheme Meeting and/or the SGM.

9. REASONS FOR AND BENEFITS OF THE PROPOSAL

Background*

It is observed that the business environment in which the Group operates is challenging and uncertain. The COVID-19 pandemic continues since early 2020 and shows no sign of significant improvement in the near future. Its social and economic impacts are major and unprecedented.

Against this backdrop, the Group recorded a net loss attributable to owners of the Company of approximately HK\$37 million for the six months ended 30 June 2021 as compared to a net profit attributable to owners of the Company of approximately HK\$786 million for the corresponding period in 2020. The Group also experienced a decrease in net asset value. The net asset value of the Group attributable to owners of the Company as at 30 June 2021 was approximately HK\$24,778 million as compared to approximately HK\$28,759 million as at 31 December 2020. The movement in net asset value was mainly due to total comprehensive expenses attributable to owners of the Company of approximately HK\$3,962 million for the period. During the period, loss on fair value change of listed equity investment categorised as financial assets measured at fair value through other comprehensive income of approximately HK\$4,111 million was recorded as other comprehensive expenses.

Rentals from investment properties are one of the major source of income of the Group. For the six months ended 30 June 2021, the Group recorded a rental income of approximately HK\$161 million as compared to approximately HK\$212 million for the corresponding period in 2020. As at 30 June 2021, the assets reported under the property leasing segment of the Group amounted to approximately HK\$17,863 million as compared to approximately HK\$18,524 million as at 31 December 2020.

The Group has maintained a securities investment portfolio for managing capital to provide returns. For the six months ended 30 June 2021, dividend income from listed equity investments and interest income from bonds and structured products together with gain on sales of investments held-for-trading amounted to approximately HK\$530 million as compared to approximately HK\$1,715 million for the corresponding period in 2020. As at 30 June 2021, the fair value of the securities investments and treasury products amounted to approximately HK\$13,833 million as compared to those of approximately HK\$16,307 million as at 31 December 2020.

It is believed that the COVID-19 pandemic will continue to affect the business environment in which the Group operates for a period of time. In light of the latest development of the COVID-19 pandemic, it is expected that the business operations of the Group will continue to encounter challenges and uncertainty.

The Group had significant investments in two mainland China based real estate groups, being China Evergrande Group and Kaisa Group Holdings Ltd.. With issues (especially liquidity issue) surrounding the real estate sector in mainland China, in particular, China Evergrande Group, the prices of these securities have declined substantially in 2021.

As disclosed in the Disposal Mandate Announcement, during the period from 30 August 2021 to 21 September 2021 (both dates inclusive), the Group disposed of an aggregate of 108,909,000 China Evergrande Group Shares. The 108,909,000 China Evergrande Group Shares disposed by the Group represented approximately 0.82% of the issued share capital of China Evergrande Group as at 31 August 2021 (calculated based on the total number of issued China Evergrande Group Shares as at 31 August 2021 as disclosed in its monthly return dated 7 September 2021), in the open market of the Stock Exchange for an aggregate cash consideration of approximately HK\$246.5 million (exclusive of transaction costs). The average selling price per China Evergrande Group Share disposed of by the Group was approximately HK\$2.26 (exclusive of transaction costs).

It is also disclosed in the Disposal Mandate Announcement that the Directors are cautious and concerned about the recent development of China Evergrande Group including certain disclosures made by China Evergrande Group on its liquidity and going concern in its 2021 interim results announcement and an announcement dated 14 September 2021, and the possible consequences and possible material adverse change in relation to its financial and operating positions in the event that the remedial measures said to have been taken and to be taken by China Evergrande Group could not be effectively implemented. Further, the Directors are aware and cautious that the share price of China Evergrande Group has declined significantly in the recent months. Closing price of China Evergrande Group Shares as at 31 December 2020 was HK\$14.90 per share while closing price as at 21 September 2021 was HK\$2.27 per share. Given the volatility of the stock market, and to allow flexibility in effecting the possible disposals at appropriate occasions, the Company has sought the approval of the relevant Shareholders in lieu of a general meeting pursuant to Rule 14.44 of the Listing Rules for a grant of the Disposal Mandate to the Directors to dispose of, during the mandate period, all or part of the China Evergrande Group Shares held by the Group as at 23 September 2021.

After obtaining the approval of the Disposal Mandate on 23 September 2021 and up to the Announcement Date, the Group further disposed of an aggregate of 168,776,000 China Evergrande Group Shares, representing approximately 1.27% of the issued share capital of China Evergrande Group as at 31 October 2021 (calculated based on the total number of issued China Evergrande Group Shares as at 31 October 2021 as disclosed in its monthly return dated 4 November 2021), in the open market of the Stock Exchange for an aggregate cash consideration of approximately HK\$442.7 million (exclusive of transaction costs).

* The financial figures of the Company for the year ended 31 December 2020 are audited and the financial figures of the Company for the six months ended 30 June 2021 are unaudited.

Recent Development

Since the Announcement Date and up to the Latest Practicable Date, the Group has further disposed 269,102,000 China Evergrande Group Shares, representing approximately 2.03% of the issued share capital of China Evergrande Group as at 31 October 2021 (calculated based on the total number of issued China Evergrande Group Shares as at 31 October 2021 as disclosed in its monthly return dated 4 November 2021), in the open market of the Stock Exchange for an aggregate cash consideration of approximately HK\$698.3 million (exclusive of transaction costs).

Since the Announcement Date, the Group has also disposed certain of its investments in debt securities and other equity securities. As disclosed in the circular of the Company dated 18 November 2021, during the period from 19 October 2021 to 28 October 2021 (both dates inclusive), the Group disposed through a series of transactions in the over-the-counter market all the notes issued by Kaisa Group Holdings Ltd. (the “**Kaisa Notes**”) held by the Group with an aggregate principal amount of US\$255,000,000 for an aggregate consideration of US\$88,320,246.52 (equivalent to approximately HK\$687,679,000) (including accrued interest) and is expected to record realised loss in aggregate of approximately HK\$1,355 million in profit or loss for the year ending 31 December 2021 as a result of the disposals of all the Kaisa Notes.

As at 31 October 2021 (being the last day of the calendar month immediately preceding the Latest Practicable Date), the carrying amount of the debt securities at fair value through profit or loss was approximately HK\$603 million. As at the Latest Practicable Date, the carrying amount of the listed equity investment at fair value through other comprehensive income was approximately HK\$871 million. The above listed equity investment at fair value through other comprehensive income comprises solely the Remaining China Evergrande Group Shares, representing approximately 2.36% of the issued share capital of China Evergrande Group as at 31 October 2021 (calculated on the above basis) continued to be held by the Group as at the Latest Practicable Date.

Relevant Financial Information***In relation to the China Evergrande Group Shares***

The expected realised loss to be recorded for the year ending 31 December 2021 as a result of the disposal of an aggregate of 546,787,000 China Evergrande Group Shares during 2021 and up to the Latest Practicable Date is approximately HK\$6,762 million (the “**Expected Realised Loss from China Evergrande Group Disposal**”). The expected aggregated realised loss to be recorded for the year ending 31 December 2021 as a result of the disposal of 860,000,000 China Evergrande Group Shares (assuming all the Remaining China Evergrande Group Shares were to be disposed by the end of 2021 with reference to the closing price of China Evergrande Group Shares as at the Latest Practicable Date) would be approximately HK\$10,558 million (the “**Expected Aggregated Realised Loss from China Evergrande Group Disposal**”).

In relation to the disposal of the Kaisa Notes

The expected realised loss to be recorded for the year ending 31 December 2021 as a result of the disposals of all the Kaisa Notes during the period from 19 October 2021 to 28 October 2021 (both dates inclusive) as disclosed in the circular of the Company dated 18 November 2021 is an aggregate amount of approximately HK\$1,355 million (the “**Expected Realised Loss from Disposal of Kaisa Notes**”).

In relation to fair value change on certain financial assets

The Group recorded (a) a negative realised fair value change on debt securities at fair value through profit or loss of approximately HK\$1,510 million for the period from 1 July 2021 to the Latest Practicable Date; (b) a negative unrealised fair value change on debt securities at fair value through profit or loss of approximately HK\$390 million for the period from 1 July 2021 to 31 October 2021 (being the last day of the calendar month immediately preceding the Latest Practicable Date); (c) a negative realised fair value change on listed equity investment, comprising solely China Evergrande Group Shares, at fair value through other comprehensive income of approximately HK\$4,149 million for the period from 1 July 2021 to the Latest Practicable Date; and (d) a negative unrealised fair value change on listed equity investment, comprising solely China Evergrande Group Shares, at fair value through other comprehensive income of approximately HK\$2,299 million for the period from 1 July 2021 to the Latest Practicable Date (the “**Expected Aggregated Loss from Fair Value Change on Financial Assets**”, together with the Expected Realised Loss from China Evergrande Group Disposal, the Expected Aggregated Realised Loss from China Evergrande Group Disposal and the Expected Realised Loss from Disposal of Kaisa Notes are collectively referred to as the “**Relevant Financial Information**”).

Implications under Rule 10 of the Takeovers Code

Pursuant to Rule 10 of the Takeovers Code, the disclosures of the Relevant Financial Information constitute profit forecasts and are required to be reported on by the financial adviser and auditors or accountants of the Company. In these relation, please refer to the paragraph headed “6. Relevant Financial Information” set out in Appendix I; the reports of Gram Capital set out in Appendices IIIA-1 to IIIA-3; and the reports of HLB Hodgson Impey Cheng Limited set out in Appendices IIIB-1 to IIIB-3, respectively to this Scheme Document.

Benefits for the Scheme Shareholders

The above matters have added further burden to the Group which has already been operating in a challenging and uncertain business environment. Further, the timing and measures imposed in connection with the issues referred to above and their related impacts are uncertain. Although the cautiously optimistic view of the core businesses of the Group in a longer term remains, with the material adverse change to the financial position of the Group since 30 June 2021 referred to above, the outlook of the Group in the foreseeable future is uncertain and difficult. This may negatively affect the stock price of the Shares. During the period from 1 January 2020 to 30 June 2021, the share price of the Company has decreased by approximately 41.3% from a closing price of HK\$6.17 per Share on 31 December 2019 to a closing price of HK\$3.62 per Share on 30 June 2021. Since 30 June 2021, the share price of the Company has further dropped by approximately 39.8% from the abovementioned closing price to a closing price of HK\$2.18 per Share on the Last Full Trading Date. Since trading resumed after the Announcement Date and up to the Latest Practicable Date, the closing price of the Shares has been within the range of HK\$3.72 to HK\$3.83 per Share. It is believed that such share price performance is mainly in response to the Joint Announcement.

For reference purpose, the Cancellation Price of HK\$4.00 for each Scheme Share represents a premium of approximately 83.5% over the closing price of HK\$2.18 per Share as quoted on the Stock Exchange on the Last Full Trading Date and a premium of approximately 76.2% over the average closing price of approximately HK\$2.27 per Share for the 10 trading days up to and including the Last Full Trading Date, or a premium of approximately 50.9% over the average closing price of approximately HK\$2.65 per Share for the 30 trading days up to and including the Last Full Trading Date. The Proposal provides an opportunity for the Scheme Shareholders to exit their investments in the Company for all cash at a price above the prevailing market price.

While share price of the Company is generally at a downward trend in 2020 and 2021 to the Last Full Trading Date, the trading volume of the Shares is low with the average daily trading volume of the Shares for the 12 months up to and including the Last Full Trading Date was approximately 388,506 Shares per day, representing only approximately 0.02% of the issued Shares and approximately 0.08% of the issued Shares held by the public Shareholders as at the Announcement Date. The low trading liquidity of the Shares could make it difficult for the Shareholders to execute substantial on-market disposals efficiently within a reasonable timeframe without affecting the market price of the Shares, and to dispose of a large number of Shares when any event that has an adverse impact on the price of the Shares occurs. The Proposal provides an option for the Scheme Shareholders to dispose their Shares without having to suffer from any illiquidity and settlement risk. Since trading resumed after the Announcement Date and up to and including the Latest Practicable Date, the average daily trading volume of the Shares was approximately 2.1 million Shares per day, representing approximately 0.11% of the issued Shares and approximately 0.44% of the issued Shares held by the public Shareholders as at the Latest Practicable Date. It is believed that such increase in trading volume is also mainly in response to the Joint Announcement.

Benefits for the Company and the Offeror

The Proposal will eliminate the listing of the Company. It is considered that the delisting of the Company would reduce the costs and management resources associated with the maintenance of the listing of the Company on the Stock Exchange and its publicly listed status. It could also provide more flexibilities to the Group as a privately-owned business in formulating and implementing its long-term business strategies or to pursue other business opportunities and without having to focus on the short-term market reactions or regulatory restrictions and compliance obligations arising from being a company listed on the Stock Exchange.

10. APPLICATION UNDER RULE 4 OF THE TAKEOVERS CODE

Reference is made to a major transaction circular of the Company dated 18 November 2021 mentioned above in relation to the disposals of the Kaisa Notes (the “**Transactions**”) which constitute frustrating actions of the Company under Rule 4 of the Takeovers Code, therefore is subject to the Shareholders’ approval in a general meeting of the Company unless a waiver has been obtained from the Executive. The Company has applied for and the Executive has granted a waiver from the requirement to obtain the Shareholders’ approval in a general meeting of the Company for the Transactions pursuant to Note 1 to Rule 4 of the Takeovers Code.

11. INTENTIONS OF THE OFFEROR WITH REGARD TO THE GROUP

Following the implementation of the Proposal, the Offeror intends that the Group to maintain its existing business upon the successful privatisation of the Company. The Offeror has no intention to have the Shares listed in other markets and to make major changes to the business of the Group, including any major redeployment of fixed assets of the Group or making any material change to the continued employment of the employees of the Group as a result of the implementation of the Proposal, save for those changes which the Offeror may from time to time implement following the review of its strategy relating the business, structure and/or direction of the Group.

12. INFORMATION ON THE OFFEROR

The Offeror is a business company incorporated in the BVI with limited liability and is an investment holding company. The Offeror is directly wholly-owned by Sino Omen Holdings Limited which is in turn held by Ms. HW Chan (as the trustee for her minor children). The main assets of the Offeror are the Shares it holds. Ms. HW Chan is an executive Director and the chief executive officer of the Company.

The Offeror Directors are Ms. HW Chan and Ms. Chan, Sze-wan.

13. INFORMATION ON THE COMPANY

The Company is an exempted company incorporated in Bermuda with limited liability and, together with its subsidiaries, are principally engaged in property investment and development, building and property management, brokerage, securities investment, money lending and cosmetics distribution and trading.

14. SHARE CERTIFICATES, DEALINGS AND LISTING

Upon the Scheme becoming effective, all the Scheme Shares will be cancelled and the share certificates in respect of the Scheme Shares will thereafter cease to have effect as documents or evidence of title.

The Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange so that such withdrawal is to take place as soon as practicable after the Effective Date. Further announcement will be made in relation to the date of withdrawal of listing of the Shares on the Stock Exchange.

Scheme Shareholders will be notified by way of an announcement of the exact dates of the last day for dealing in the Shares and the day on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective. An indicative expected timetable in relation to the Proposal is included in the section headed “Expected Timetable” in Part II of this Scheme Document.

15. IF THE PROPOSAL IS NOT APPROVED OR LAPSES

Subject to the requirements of the Takeovers Code, the Proposal will lapse if any of the Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date. If the Scheme is not approved or the Proposal otherwise lapses, the listing of the Shares on the Stock Exchange will not be withdrawn.

If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, announce an offer or possible offer for the Company, except with the consent of the Executive.

16. COSTS OF THE SCHEME

If the Independent Board Committee or Gram Capital does not recommend the Proposal, and the Scheme is not approved, all expenses incurred by the Company in connection therewith shall be borne by the Offeror in accordance with Rule 2.3 of the Takeovers Code. Since the Independent Board Committee and Gram Capital have both recommended the Proposal, the Company and the Offeror have agreed that each party shall bear their own costs, charges and expenses of and incidental to the Scheme.

17. REGISTRATION AND PAYMENT**17.1 Closure of the register of members of the Company**

Assuming the Scheme Record Date falls on Friday, 7 January 2022, it is proposed that the register of members of the Company will be closed from Friday, 24 December 2021 onwards (or such other date as may be notified to the Scheme Shareholders by announcement) for purposes of determining entitlements of Scheme Shareholders under the Scheme. In order to qualify for entitlements under the Scheme, Scheme Shareholders should ensure that their Shares are lodged with the Branch Share Registrar for registration in their names before the latest time for lodging transfer of Shares documents to qualify for entitlements to the Cancellation Price under the Scheme, being 4:30 p.m. on Thursday, 23 December 2021. The Branch Share Registrar is Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

17.2 Payment of the Cancellation Price to the Scheme Shareholders

Upon the Scheme becoming effective, cheques in respect of the Cancellation Price for the Scheme Shares will be made to the Scheme Shareholders whose names appear on the register of members of the Company as at the Scheme Record Date as soon as possible but in any event within seven Business Days following the Effective Date. On the basis that the Scheme becomes effective on Monday, 10 January 2022 (Bermuda time), cheques for payment of the Cancellation Price payable under the Scheme are expected to be despatched on or before Wednesday, 19 January 2022.

Cheques for the payment of the Cancellation Price will be sent by posting the same by ordinary post in postage pre-paid envelopes addressed to the persons entitled thereto at their respective registered addresses or, in the case of joint holders, to the registered address of that joint holder whose name stands first in the register of members of the Company in respect of the joint holding. For Beneficial Owners that hold Scheme Shares through a Registered Owner (other than HKSCC Nominees Limited), cheques made out in the name of the Registered Owner will be sent by posting the same by ordinary post in postage pre-paid envelopes addressed to the Registered Owner. For Beneficial Owners whose Scheme Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, the Cancellation Price will be paid to HKSCC Nominees Limited by cheque and such payment will be caused to be credited to the designated bank accounts of the relevant CCASS Participants in accordance with the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All such cheques will be posted at the risk of the addressees and other person(s) entitled thereto and none of the Offeror, the Company, Southwest Securities, Gram Capital, the Branch Share Registrar or any of their respective directors, officers, employees, agents, affiliates or advisers or any other persons involved in the Proposal will be responsible for any loss or delay in transmission.

On or after the day being six calendar months after the posting of such cheques, the Offeror shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit or custodian account in the name of the Offeror or, if directed by the Offeror, in the name of the Company, with a licensed bank in Hong Kong selected by the Offeror.

The Offeror or the Company (as the case maybe) shall hold such monies on trusts until the expiry of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums, without interest earned thereon, to persons who satisfy the Offeror (or, if the monies are held by the Company, the Company) that they are respectively entitled thereto, provided that the cheques of which they are payees have not been cashed. On the expiry of six years from the Effective Date, the Offeror and the Company shall be released from any further obligation to make any payments under the Scheme and the Offeror shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit or custodian account, including accrued interest, subject to any deduction required by law and expenses incurred.

Upon the Scheme becoming effective, all existing certificates representing the Scheme Shares will cease to have effect as documents or evidence of title as from the Effective Date, which is expected to be on Monday, 10 January 2022 (Bermuda time).

Settlement of the Cancellation Price to which the Scheme Shareholders are entitled under the Scheme will be implemented in full in accordance with the terms of the Scheme, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against any such Scheme Shareholders.

18. OVERSEAS SHAREHOLDERS

This Scheme Document has been prepared for the purposes of complying with the laws of Hong Kong and Bermuda, the Takeovers Code, the Listing Rules and the information disclosed may not be the same as that which would have been disclosed if this Scheme Document had been prepared in accordance with the laws of any other jurisdictions.

This Scheme Document does not constitute an offer to buy or sell Shares or the solicitation of an offer to buy or subscribe for the Shares in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction.

The making and implementation of the Proposal to Scheme Shareholders who are not residents in Hong Kong may be affected by the applicable laws of the relevant jurisdictions in which such Scheme Shareholders are located. Any Scheme Shareholders who are not resident in Hong Kong should inform themselves about and observe any applicable legal, tax and regulatory requirements in their own jurisdictions. The Offeror and the Company do not represent that this Scheme Document may be lawfully distributed in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Offeror and the Company which is intended to permit a public offering or the distribution of this Scheme Document in any jurisdiction (other than Hong Kong) where action for that purpose is required. Accordingly, it is prohibited to (i) copy, distribute or publish all or part of this Scheme Document or any advertisement or other offering material in any jurisdiction; (ii) disclose its content; or (iii) use information contained therein for any purpose other than assessment of the Proposal, unless the information is already publicly available in another form.

It is the responsibility of any overseas Scheme Shareholders wishing to take any action in relation to the Proposal to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents, filings and/or registrations which may be required, the compliance with the necessary formalities and the payment of any issue, transfer or other taxes or expenses due from such Scheme Shareholder in such jurisdiction. The Offeror and the Company expressly decline any liability for breach of any of these restrictions by any persons.

Any acceptance of the Proposal by the Scheme Shareholders will be deemed to constitute a representation and warranty from such persons to the Offeror, the Company and their respective advisers, including the financial adviser to the Offeror and Gram Capital, that those laws and regulatory requirements have been complied with. If you are in doubt as to your position, you should consult your professional advisers. For the avoidance of doubt, neither HKSCC or HKSCC Nominees Limited will give, or be subject to, the above warranty and representation.

As at the Latest Practicable Date, there were 55 Shareholders (representing approximately 2.7% of the total number of the Shareholders) whose addresses as shown in the register of members of the Company were outside Hong Kong and those Shareholders in aggregate held 158,434 Shares (representing approximately 0.0083% of the total number of Shares in issue of the Company). Those 55 Shareholders included Shareholders in Australia, Canada, Denmark, Macau, Malaysia, New Zealand, the PRC, Singapore, Taiwan, the United Kingdom and the United States (collectively, the “**Overseas Jurisdictions**”).

The Company had been advised by the local counsel in the respective Overseas Jurisdictions (save for Australia) that there is no restriction under the respective laws or regulations of those jurisdictions against extending the Scheme automatically or despatching this Scheme Document to overseas Shareholders whose addresses as shown in the register of members of the Company were situated in the aforesaid jurisdictions and the Scheme will apply to and this Scheme Document will be despatched to those overseas Shareholders.

Overseas Shareholders in Australia

As at the Latest Practicable Date, two Shareholders whose addresses as shown in the register of members of the Company were in Australia (the “**Excluded Shareholders**”) and in aggregate held 45,802 Shares (representing approximately 0.0024% of the total number of Shares in issue of the Company). The Company has been advised by local counsel in Australia that there are certain restrictions or requirements (including but not limited to additional disclosure requirements) under the laws or regulations of Australia for despatching this Scheme Document to the Excluded Shareholders unless relief is obtained from the Australian Securities & Investments Commission for exemptions from these requirements under section 1020F(1)(a) of the Australian Corporations Act 2001 (Cth). Having considered that it would take an extended period of time to apply for such relief and the costs involved in complying with the local legal and/or regulatory requirements in Australia in relation to the Scheme, the Directors and the Offeror Directors considered that it would therefore be unduly burdensome for the Company and the Offeror to despatch this Scheme Document to the Excluded Shareholders for the purpose of Note 3 to Rule 8 of the Takeovers Code. An application has been made to the Executive under Note 3 to Rule 8 of the Takeovers Code for consent to exclude the Excluded Shareholders from receiving this Scheme Document and the Executive has granted such consent.

This Scheme Document and the accompanying forms of proxy in respect of the Scheme Meeting and the SGM do not constitute an offer to purchase, or an invitation of an offer to sell, any financial product in Australia, or for the account or benefit of, any person in Australia.

Neither this Scheme Document nor the accompanying forms of proxy may be distributed to persons in Australia or persons who are acting for the account or benefit of any persons in Australia.

Overseas Shareholders in Singapore

This Scheme Document is for the exclusive use by the Scheme Shareholders solely for the purpose of assessing the Proposal and should not be used other than in connection with such purpose. This Scheme Document has not been lodged with or registered by the Monetary Authority of Singapore, does not constitute an offer or invitation for the sale or purchase of securities in Singapore and shall not form the basis of any contract for the issue or sale of securities in Singapore.

Overseas Shareholders in the United Kingdom

In the United Kingdom, any invitation or inducement to engage in investment activity (within the meaning of Section 21 of Financial Services and Markets Act 2000 (“FSMA”)) received in connection with the Scheme has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in circumstances in which Section 21(1) of FSMA does not apply to such invitation. Accordingly, in the United Kingdom, this Scheme Document is being distributed only to, and is directed at, persons who fall within Article 43 (members or creditors of certain bodies corporate) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005, as amended (relevant persons). The investment activity to which this Scheme Document relates is available only to, and any invitation, offer or agreement in connection with the Proposal will be engaged in only with relevant persons.

Overseas Shareholders in the United States (“US”)

The Proposal is being made to cancel the securities of a Bermuda company by means of a scheme of arrangement provided for under the laws of Bermuda and is subject to Bermuda and Hong Kong disclosure requirements which are different from those of the US. A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules of the US Securities Exchange Act of 1934, as amended. Accordingly, the Proposal is subject to the disclosure requirements and practices applicable to scheme of arrangement in Bermuda and Hong Kong which differ from the disclosure and procedural requirements applicable under the US federal securities laws.

The receipt of cash pursuant to the Proposal by a US holder of Scheme Shares as consideration for the cancellation of his/her/its Scheme Shares pursuant to the Scheme may be a taxable transaction for US federal income tax purposes and under applicable US state and local tax laws, as well as foreign and other tax laws. Each holder of Scheme Shares is urged to consult his/her independent professional adviser immediately regarding the tax consequences of the Proposal applicable to him/her/it.

It may be difficult for US holders of Scheme Shares to enforce their rights and claims arising out of the US federal securities laws, since the Offeror and the Company are located in a country other than the US, and some or all of their officers and directors may be residents of a country other than the US. US holders of Scheme Shares may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court’s judgment.

19. TAXATION

As the Scheme does not involve the sale and purchase of Hong Kong stock, no stamp duty will be payable pursuant to the Stamp Duty Ordinance on the cancellation of the Scheme Shares upon the Scheme becoming effective.

The Scheme Shareholders, whether in Hong Kong or in other jurisdictions, are encouraged to consult their own professional advisers if they are in any doubt as to the taxation implications of the Scheme and in particular, whether the receipt of the Cancellation Price under the Scheme would make such Scheme Shareholders liable to taxation in Hong Kong or in other jurisdictions.

It is emphasised that none of the Offeror, the Company, Southwest Securities, Gram Capital, any of their respective directors, officers, employees, agents, affiliates or advisers or any other persons involved in the Proposal accepts any responsibility in relation to any tax or other effects on, or liabilities of, any persons as a result of their approval or disapproval of the Proposal. All Scheme Shareholders and/or Beneficial Owners shall be solely responsible for their liabilities (including tax liabilities) in relation to the Proposal.

20. SCHEME MEETING AND SGM

The Court has directed that the Scheme Meeting be convened for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme (with or without modifications).

Such resolution will be passed under Section 99 of the Companies Act if a majority in number representing not less than three-fourths in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Scheme Meeting vote in favour of the Scheme. However, the Scheme will only be considered to have been approved under the Takeovers Code if (i) the Scheme is approved (by way of a poll) by at least 75% of the votes attaching to the Scheme Shares held by the Disinterested Scheme Shareholders that are voted either in person or by proxy at the Scheme Meeting; and (ii) the number of votes cast (by way of a poll) against the resolution to approve the Scheme at the Scheme Meeting is not more than 10% of the votes attaching to all the Scheme Shares held by all the Disinterested Scheme Shareholders.

Only Scheme Shareholders whose Scheme Shares are registered in their own names in the register of members of the Company on the Meeting Record Date will be counted as members of the Company for the purposes of calculating whether or not a majority in number of members of the Company have approved the Scheme at the Scheme Meeting under Section 99 of the Companies Act. In accordance with the direction from the Court, HKSCC Nominees Limited will be counted as one Scheme Shareholder and may vote for or against the Scheme according to the majority of voting instructions it receives. The number of votes cast in favour of the Scheme and the number of CCASS Participants on whose instructions they are cast and the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast will be disclosed to the Court and may be taken into account by the Court in determining whether or not the Court should exercise its discretion to sanction the Scheme.

Only the votes of the Disinterested Scheme Shareholders (i.e. Scheme Shareholders other than the Offeror and the Offeror Concert Parties) will be taken into account in determining if Condition (b) in the paragraph headed “3. Conditions of the Proposal and the Scheme” above is satisfied.

As at the Latest Practicable Date, the Offeror, Century Frontier and JLLH Investments beneficially owned or controlled 1,430,700,768 Shares in aggregate, representing approximately 74.99% of the issued share capital of the Company. Such Shares will not form part of the Scheme Shares, and each of the Offeror, Century Frontier and JLLH Investments will not be entitled to vote on the Scheme at the Scheme Meeting.

As at the Latest Practicable Date, other Offeror Concert Parties (excluding Century Frontier and JLLH Investments), being close relatives of Ms. HW Chan and her spouse, and companies controlled by such close relatives, were interested in 68,535,825 Shares in aggregate (representing approximately 3.60% of the issued share capital of the Company). Such Shares will form part of the Scheme Shares. All the relevant Offeror Concert Parties who hold any Scheme Shares will abstain from voting on the Scheme at the Scheme Meeting.

The SGM will be held for the purpose of considering and, if thought fit, passing a special resolution to approve amongst other things, (i) any reduction of the issued share capital of the Company associated with the cancellation of the Scheme Shares; and (ii) the simultaneous maintenance of the issued share capital of the Company at the amount immediately prior to the cancellation of the Scheme Shares by issuing to the Offeror such number of new Shares, credited as fully paid, as is equal to the number of Scheme Shares cancelled by applying the credit created as a result of the cancellation of the Scheme Shares to pay up in full at par such new Shares.

All Shareholders whose names appear in the register of members of the Company as at the Meeting Record Date will be entitled to attend and vote, in person or by proxy, on the special resolution to be proposed at the SGM. The Offeror and the Offeror Concert Parties have indicated that, if the Scheme is approved at the Scheme Meeting, the Offeror and the Offeror Concert Parties will vote in favour of the special resolution to be proposed at the SGM.

Voting at the Scheme Meeting and at the SGM will be taken by poll as required under the Listing Rules and the Takeovers Code.

Joint announcement(s) will be made by the Company and the Offeror in relation to the results of the Scheme Meeting and the SGM in accordance with Rule 19.1 of the Takeovers Code to the extent applicable. Information on the number of votes cast for and the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast will be included in such announcement(s).

Notices of the Scheme Meeting and the SGM are set out in Appendix VI and Appendix VII of this Scheme Document, respectively.

21. RECOMMENDATIONS

Your attention is drawn to the following:

- (a) the letter from the Independent Board Committee in Part IV of this Scheme Document; and
- (b) the letter from Gram Capital in Part V of this Scheme Document which sets out the factors and reasons taken into account by Gram Capital in arriving at its advice to the Independent Board Committee.

22. ACTIONS TO BE TAKEN

Actions to be taken by the Scheme Shareholders are set out in the section headed “ACTIONS TO BE TAKEN” of this Scheme Document.

23. FURTHER INFORMATION

With a view to preventing and controlling the spread of the COVID-19, the Company will implement the following precautionary measures at the Scheme Meeting and the SGM to protect attending Shareholders, staff and stakeholders from the risk of infection:

- (a) compulsory body temperature checks will be conducted for every Shareholder, proxy and other attendee; and each attendee will be required to (i) complete and submit a health declaration form and (ii) scan the “Leave Home Safe” venue QR code or register his/her name, contact number and the date and time of visit at the entrance of the meeting venue;
- (b) each attendee is required to wear mask inside the meeting venue and throughout the meetings, and to maintain a safe distance between seats;
- (c) anyone who does not comply with the aforesaid arrangement, or with a body temperature of over 37.5 degrees Celsius, or with any flu-like symptoms, or subject to any Hong Kong government prescribed quarantine, or has close contact with any person under quarantine 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 meetings;
- (d) no refreshments will be served, and no corporate gifts will be distributed; and
- (e) any other additional precautionary measures in accordance with the requirements or guidance of the Hong Kong government and/or regulatory authorities from time to time, or as considered appropriate in light of the development of the local COVID-19 situation.

Any person who does not comply with the precautionary measures or is subject to any Hong Kong government prescribed quarantine may be denied entry into the meeting venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the meeting venue to the extent practicable. In view of the regulations and the requirements for social distancing to ensure the health and safety of attendees, there will be limited capacity for attendees to attend the Scheme Meeting and the SGM and only Shareholders and/or their proxies and relevant staff will be allowed entry into meeting venue and the attending Shareholders (or their proxies) will be admitted to the main conference room at the meeting venue on a “first-come-first-served” basis, whereas other attending Shareholders (or their proxies) will be accommodated in other room(s) or area at the meeting venue after the main conference room is fully occupied.

The Company reminds all Shareholders that they may exercise their right to vote at the relevant meeting(s) by appointing the chairman of the Scheme Meeting and/or of the SGM (as the case may be) as their proxy to vote on the relevant resolution(s) as alternative to attending the relevant meeting(s) in person by completing and returning the forms of proxy enclosed with this Scheme Document.

The Company will closely monitor and ascertain the regulations and measures introduced or to be introduced by the Hong Kong government and/or regulatory authorities, and if necessary, will make further announcements in case of any update regarding the precautionary measures to be carried out at the Scheme Meeting and/or the SGM.

Further information is set out in the Appendices to, and elsewhere in, this Scheme Document, all of which form part of this Explanatory Statement.

You should rely only on the information contained in this Scheme Document in order to vote your Shares at the Scheme Meeting and/or the SGM. None of the Offeror, the Company, Southwest Securities, Gram Capital, any of their respective directors, officers, employees, agents, affiliates or advisers or any other persons involved in the Proposal has authorised anyone to provide you with information that is different from what is contained in this Scheme Document.

24. GENERAL

In case of any inconsistency, the English language text of this Scheme Document and the accompanying forms of proxy shall prevail over the Chinese language text.

1. FINANCIAL SUMMARY

Set out below is a summary of the audited consolidated financial information of the Company for each of the three years ended 31 December 2018, 31 December 2019 and 31 December 2020 and the unaudited consolidated financial information of the Company for the six months ended 30 June 2020 and 30 June 2021. The figures for the years ended 31 December 2018, 31 December 2019 and 31 December 2020 are extracted from the annual reports of the Company for the respective years, and the figures for the six months ended 30 June 2020 and 30 June 2021 are extracted from the interim reports of the Company for the respective periods.

The independent auditors' reports issued by the auditors of the Company, HLB Hodgson Impey Cheng Limited, in respect of the audited consolidated financial statements of the Company for each of the three years ended 31 December 2018, 31 December 2019 and 31 December 2020 did not contain any modified opinion, emphasis of matter or material uncertainty related to going concern.

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP****Summary of Consolidated Statement of Comprehensive Income**

	Six months ended 30 June		For the year ended 31 December		
	2021	2020	2020	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
		(restated)		(restated)	
Revenue					
Dividend income	160,751	1,360,280	1,973,156	–	–
Interest income	201,881	354,910	596,092	715,857	–
Others	363,535	249,441	472,216	594,095	843,618
Total revenue	726,167	1,964,631	3,041,464	1,309,952	843,618
Cost of goods and services provided	(36,642)	(25,699)	(79,938)	(43,497)	(124,507)
Gross profit	689,525	1,938,932	2,961,526	1,266,455	719,111
Other income	23,462	257,004	281,268	20,763	173,062
Investment (expenses) income, net	(418,349)	(597,439)	(427,829)	1,169,820	542,002
Administrative expenses	(169,394)	(168,533)	(320,600)	(269,516)	(255,506)
Gain (loss) on disposals of equipment, net	260	482	6,299	(173)	1,181
Fair value changes on investment properties	(122,712)	(425,967)	(1,549,240)	(742,659)	122,301
Finance costs	(54,455)	(128,267)	(215,559)	(370,185)	(344,990)
Other gains and losses	(38)	(1,942)	(4,860)	(12,341)	(2,559)
Impairment loss of goodwill	–	–	–	(322,938)	–
Share of results of investments accounted for using the equity method	25,061	(19,445)	(38,459)	209,684	232,252
(Loss) profit before tax	(26,640)	854,825	692,546	948,910	1,186,854
Income tax expense	(8,830)	(68,844)	(70,282)	(157,258)	(127,041)
(Loss) profit for the period/year	(35,470)	785,981	622,264	791,652	1,059,813

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FINANCIAL INFORMATION OF THE GROUP

	Six months ended 30 June		For the year ended 31 December		
	2021	2020	2020	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
		(restated)		(restated)	
Other comprehensive expenses					
<i>Items that will not be reclassified to profit or loss</i>					
Gains and losses on investments in equity instruments measured at fair value through other comprehensive income	(3,999,375)	(1,364,384)	(5,763,244)	(1,187,045)	(2,847,447)
Share of other comprehensive income (expenses) of investments accounted for using the equity method	126	(73)	(93)	(38)	132
	<u>(3,999,249)</u>	<u>(1,364,457)</u>	<u>(5,763,337)</u>	<u>(1,187,083)</u>	<u>(2,847,315)</u>
<i>Items that may be reclassified subsequently to profit or loss</i>					
Exchange differences on translation of foreign operations	73,150	(291,431)	152,262	106,977	(274,773)
Share of other comprehensive income (expenses) of investments accounted for using the equity method	1,909	(3,123)	10,225	(4,344)	(10,182)
Reclassification adjustment related to dissolution of foreign operations	—	—	—	10,678	—
	<u>75,059</u>	<u>(294,554)</u>	<u>162,487</u>	<u>113,311</u>	<u>(284,955)</u>
Other comprehensive expenses for the period/year (net of tax)	<u>(3,924,190)</u>	<u>(1,659,011)</u>	<u>(5,600,850)</u>	<u>(1,073,772)</u>	<u>(3,132,270)</u>
Total comprehensive expenses for the period/year	<u><u>(3,959,660)</u></u>	<u><u>(873,030)</u></u>	<u><u>(4,978,586)</u></u>	<u><u>(282,120)</u></u>	<u><u>(2,072,457)</u></u>

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FINANCIAL INFORMATION OF THE GROUP

	Six months ended 30 June		For the year ended 31 December		
	2021	2020	2020	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
		(restated)		(restated)	
(Loss) profit for the period/year attributable to:					
Owners of the Company	(37,284)	785,931	622,233	790,167	1,015,290
Non-controlling interests	1,814	50	31	1,485	44,523
	<u>(35,470)</u>	<u>785,981</u>	<u>622,264</u>	<u>791,652</u>	<u>1,059,813</u>
Total comprehensive expenses for the period/year attributable to:					
Owners of the Company	(3,961,474)	(873,080)	(4,978,617)	(283,605)	(2,116,980)
Non-controlling interests	1,814	50	31	1,485	44,523
	<u>(3,959,660)</u>	<u>(873,030)</u>	<u>(4,978,586)</u>	<u>(282,120)</u>	<u>(2,072,457)</u>
(Loss) earnings per share (HK\$)					
Basic and diluted	<u>(0.020)</u>	<u>0.412</u>	<u>0.326</u>	<u>0.414</u>	<u>0.532</u>
Total dividends declared/proposed					
	<u>–</u>	<u>19,076</u>	<u>38,152</u>	<u>38,152</u>	<u>209,838</u>
Dividends per share (HK\$)					
	<u>–</u>	<u>0.01</u>	<u>0.02</u>	<u>0.02</u>	<u>0.11</u>

Note: During the year ended 31 December 2020, the Group had changed its accounting policy for the presentation and classification in its consolidated statement of comprehensive income of building management fee income and property management services income (previously presented in and classified as “Other Income”) and interest income from bonds and other forms of debt securities and dividend income from listed and unlisted equity investments (previously presented in and classified as “Investment Income/Expenses, Net”). The Group had determined that these items should be presented in and classified as “Revenue” of the Group under the new accounting policy. The figures for the year ended 31 December 2019 and the six months ended 30 June 2020 were restated, details were set out in the 2020 Financial Statements (as defined below) and the 2021 Interim Financial Statements (as defined below), respectively. The figures for the year ended 31 December 2018 were not restated in accordance with the new accounting policy.

2. CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY

The audited consolidated financial statements of the Company for the year ended 31 December 2018 (the “**2018 Financial Statements**”) are set out on pages 91 to 253 of the annual report of the Company for the year ended 31 December 2018 (the “**2018 Annual Report**”), which was published on 18 April 2019. The 2018 Annual Report is posted on the website of the Stock Exchange (www.hkexnews.hk). Please also see below a direct link to the 2018 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0418/ltn20190418424.pdf>

The audited consolidated financial statements of the Company for the year ended 31 December 2019 (the “**2019 Financial Statements**”) are set out on pages 97 to 257 of the annual report of the Company for the year ended 31 December 2019 (the “**2019 Annual Report**”), which was published on 22 April 2020. The 2019 Annual Report is posted on the website of the Stock Exchange (www.hkexnews.hk). Please also see below a direct link to the 2019 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0422/2020042200913.pdf>

The audited consolidated financial statements of the Company for the year ended 31 December 2020 (the “**2020 Financial Statements**”) are set out on pages 123 to 289 of the annual report of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”), which was published on 23 April 2021. The 2020 Annual Report is posted on the website of the Stock Exchange (www.hkexnews.hk). Please also see below a direct link to the 2020 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0423/2021042300721.pdf>

The unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2021 (the “**2021 Interim Financial Statements**”) are set out on pages 3 to 53 of the interim report of the Company for the six months ended 30 June 2021 (the “**2021 Interim Report**”), which was published on 20 September 2021. The 2021 Interim Report is posted on the website of the Stock Exchange (www.hkexnews.hk). Please also see below a direct link to the 2021 Interim Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0920/2021092000608.pdf>

The 2018 Financial Statements, the 2019 Financial Statements, the 2020 Financial Statements and the 2021 Interim Financial Statements (but not any other part of the 2018 Annual Report, the 2019 Annual Report, the 2020 Annual Report and the 2021 Interim Report in which they respectively appear) are incorporated by reference into this Scheme Document and form part of this Scheme Document.

3. INDEBTEDNESS STATEMENT**Borrowings**

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

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

The bank loans and the other loans were secured by the Group's investment properties, bonds, listed equity investments, structured products, pledged deposits and interests in certain subsidiaries of the Company.

Lease liabilities

The Group recognised right-of-use assets and corresponding lease liabilities in respect of all leases unless they qualify for low-value or short-term leases. The lease liabilities represent obligation to make lease payment for right of using underlying assets. As at 30 September 2021, the Group had lease liabilities of approximately HK\$76 million which were secured by rental deposits and unguaranteed.

Guarantees

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

	30 September 2021 HK\$'000
Guarantee given to a bank in respect of banking facilities in lieu of the cash public utility deposit jointly utilised by subsidiaries	15,000
Guarantee given to a bank in respect of a banking facility utilised by an investee company/indemnity given to a third party in relation to an investee company	<u>613,830</u>
	<u><u>628,830</u></u>

Save as aforesaid and apart from normal trade payables in the ordinary course of the business of the Group, as at the close of business on 30 September 2021, the Group did not have any (i) debt securities of the Group issued and outstanding, and authorised or otherwise created but unissued, and term loans, distinguishing between guaranteed, unguaranteed, secured (whether the security is provided by the issuer or by third parties) and unsecured; (ii) other borrowings or indebtedness in the nature of borrowing of the Group including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, distinguishing between guaranteed, unguaranteed, secured and unsecured borrowings and debt; (iii) any outstanding mortgages and charges; or (iv) any material contingent liabilities or guarantees.

4. MATERIAL CHANGE STATEMENT

The Directors confirm that save as and except for the below, there was no material change in the financial or trading position or outlook of the Group since 31 December 2020, being the date on which the latest published audited consolidated financial statements of the Company were made, up to and including the Latest Practicable Date:

- (i) The Group recorded loss for the six months ended 30 June 2021 as compared to profit for the six months ended 30 June 2020, mainly due to the aggregated effect of (a) decrease in total revenue, gross profit and other income; (b) decrease in net investment expenses; and (c) decrease in negative fair value changes on investment properties.

- (ii) As a result of the change in profit or loss position as mentioned in paragraph (i) above and increase in losses on investments in equity instruments measured at fair value through other comprehensive income, the Group recorded substantial increase in total comprehensive expenses for the six months ended 30 June 2021 as compared to that for the six months ended 30 June 2020.
- (iii) The Group recorded substantial decrease in net asset value as at 30 June 2021 as compared to that as at 31 December 2020.
- (iv) Subsequent to 30 June 2021, the Group accounted for (a) revaluation surplus of the Group's property interests, net of estimated deferred tax, if any; (b) negative realised and unrealised fair value change on debt securities at fair value through profit or loss; and (c) negative realised and unrealised fair value change on listed equity investment at fair value through other comprehensive income. Details of the aforementioned items are set out under the paragraph headed "5. Adjusted Net Asset Value of the Group" below.
- (v) The Group conducted discloseable transaction in relation to subscription of new notes as announced by the Company on 28 April 2021.
- (vi) The Group conducted discloseable transaction in relation to disposal of notes as announced by the Company on 23 August 2021.
- (vii) The Group conducted discloseable transaction in relation to the disposal of China Evergrande Group Shares and obtained approval for the Disposal Mandate as announced by the Company in the Disposal Mandate Announcement. The Group further disposed China Evergrande Group Shares under the Disposal Mandate as disclosed in the paragraph headed "9. Reasons for and Benefits of the Proposal" in the Explanatory Statement in Part VI of this Scheme Document.
- (viii) The Group conducted three discloseable transactions and a major transaction (in aggregation with the aforesaid discloseable transactions) in relation to disposal of the Kaisa Notes as announced by the Company on 21 October 2021, 21 October 2021, 25 October 2021 and 28 October 2021, respectively.

5. ADJUSTED NET ASSET VALUE OF THE GROUP

Property Interests

The valuation of the property interests of the Group (excluding property interests of the associates in which the Company has a direct or indirect interest of less than 30% of the voting rights) is conducted by B.I. Appraisals Limited (an independent professional valuer) for the properties located in Hong Kong and the PRC; and by Peak Vision Appraisals Limited (an independent professional valuer) for the properties located in the United Kingdom. The total market value as at 30 September 2021 of such property interests in existing state attributable to the Group was approximately HK\$16,399 million. A breakdown of the total market value of such property interests by their classification in the accounts of the Group is set out below.

Classification	Market value as at 30 September 2021 of such property interests attributable to the Group HK\$'000	Proportion of total %
Investment properties		
Completed properties	13,533,452	83
Properties under construction	990,000	6
Properties presented in property, plant and equipment	36,108	0
Stock of properties	284,300	2
Properties held by associates (in which the Company has a direct or indirect interest of 30% or more of the voting rights)		
Investment properties	1,335,026	8
Properties presented in property, plant and equipment	26,479	0
Stock of properties	193,313	1
Total	16,398,678	100

Notes:

1. Completed investment properties generate recurring revenue for the Group. These properties mainly comprise Harcourt House (excludes certain floors but includes various car parking spaces), various shops and flats of Causeway Place, and River Court, 14 St George Street, 61-67 Oxford Street and 11-14 Soho Street, and 11 and 12 St James's Square and 14 to 17 Ormond Yard in London, United Kingdom.
2. Investment properties under construction comprise the redevelopment of an industrial building situated at Nos. 14-18 Ma Kok Street.
3. Properties presented in property, plant and equipment comprise a unit of apartment in Beijing, PRC.
4. Stock of properties mainly comprise a house together with car parking spaces in Beijing, PRC, and shops and parking spaces in i-home.
5. Properties held by associates (in which the Company has a direct or indirect interest of 30% or more of the voting rights) mainly comprise various portions of No. 1 Hung To Road, and Hilton Beijing and Oriental Place in Beijing, PRC.

Particulars of the aforesaid property interests of the Group and the valuation methods used are set out in the corresponding property valuation report prepared by B.I. Appraisals Limited and Peak Vision Appraisals Limited set out in Appendix IIA and Appendix IIB to the Scheme Document respectively.

In accordance with the accounting policies adopted by the Group, (i) any fair value change of the investment properties of the Group; (ii) any fair value change of the investment properties held by the associates; and (iii) any impairment loss of other properties held by the Group and its associates, are to be accounted for in the accounts of the Group while (a) the properties presented in property, plant and equipment have been stated at cost less subsequent accumulated depreciation and accumulated impairment loss, if any; and (b) stock of properties have been stated at the lower of cost and net realisable value, in the accounts of the Group. As the market value of the properties presented in property, plant and equipment and the stock of properties may differ materially from their respective value as stated in the accounts of the Group, it is considered more appropriate to also take into account the appraised value of these property interests in assessing the net asset value of the Group. For this purpose, the statement of the Adjusted NAV set out below has been prepared to include the revaluation surplus arising from the valuation of all the aforesaid property interests, net of estimated deferred tax, if any.

Financial Assets

In accordance with the accounting policies adopted by the Group, financial assets classified under the following two categories in the accounts of the Group are:

- financial assets measured at fair value through other comprehensive income, which include all investments in equity instruments (listed or unlisted) that are not held-for-trading; and
- financial assets measured at fair value through profit or loss, which include debt securities, listed equity held-for-trading, structured products, derivative financial instrument, and club and corporate debentures.

All the Group's investments in China Evergrande Group Shares have been classified under financial assets measured at fair value through other comprehensive income.

In light of the disposals referred to in the paragraph headed "9. Reasons for and Benefits of the Proposal" in the Explanatory Statement in Part VI of this Scheme Document and the material changes in market value of certain financial assets of the Group, the statement of the Adjusted NAV set out below has been prepared to include the fair value change of the following financial assets of the Group:

Certain types of financial assets	Carrying amount <i>HK\$ million</i>
Listed equity investment at fair value through other comprehensive income as at the Latest Practicable Date	871
Debt securities at fair value through profit or loss as at 31 October 2021	603

The Adjusted NAV

Set out below is the statement of the Adjusted NAV prepared by the Company based on the net asset value of the Group attributable to owners of the Company as disclosed in the unaudited condensed consolidated financial statements of the Company as at 30 June 2021 adjusted for the revaluation surplus of the aforesaid property interests of the Group and the fair value change of the financial assets described above.

	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Unaudited net asset value of the Group attributable to owners of the Company as at 30 June 2021			24,778,233
Adjusted for:			
• Revaluation surplus of the aforesaid property interests of the Group, net of estimated deferred tax, if any	<i>1</i>		391,448
• Realised and unrealised fair value change on debt securities at fair value through profit or loss	<i>2</i>		(1,899,568)
– Realised fair value change		(1,509,799)	
– Unrealised fair value change		(389,769)	
• Realised and unrealised fair value change on listed equity investment at fair value through other comprehensive income	<i>3</i>		(6,447,575)
– Realised fair value change		(4,148,591)	
– Unrealised fair value change		(2,298,984)	
Unaudited adjusted net asset value of the Group attributable to owners of the Company	<i>4</i>		<u>16,822,538</u>
Unaudited adjusted net asset value of the Group attributable to owners of the Company per Share	<i>4</i>		<u>HK\$8.82</u>

Notes:

1. Represents the difference between the market valuation of the aforesaid property interests of the Group as at 30 September 2021 (which was contained in the property valuation reports in Appendix IIA and Appendix IIB to the Scheme Document) and their unaudited book value as at 30 June 2021 (adjusted for costs addition incurred after 30 June 2021), net of estimated deferred tax, if any.
2. The realised fair value change represents the difference between the net sale proceeds from sale of debt securities at fair value through profit or loss for the period from 1 July 2021 to the Latest Practicable Date and (i) in respect of debt securities already held by the Group as at 30 June 2021, their unaudited book value as at 30 June 2021; or (ii) in respect of debt securities acquired by the Group after 30 June 2021, their acquisition costs. The unrealised fair value change represents the difference between the fair value of debt securities at fair value through profit or loss as at 31 October 2021, being the last day of the calendar month immediately preceding the Latest Practicable Date and (i) in respect of debt securities already held by the Group as at 30 June 2021, their unaudited book value as at 30 June 2021; or (ii) in respect of debt securities acquired by the Group after 30 June 2021, their acquisition costs. For those debt securities acquired by the Group after 31 October 2021, the acquisition costs of such debt securities will be deemed as their fair value and hence no unrealised fair value change will be recorded in respect of such debt securities. Apart from the debt securities mentioned in this Note 2, the Group also held other financial assets measured at fair value through profit or loss, which include listed equity held-for-trading, structured products, derivative financial instrument, and club and corporate debentures. The realised and unrealised fair value change of such other financial assets measured at fair value through profit or loss had not been reflected in the above statement of the Adjusted NAV as the fair value change of such other financial assets was not considered to be material comparing with the fair value change of those financial assets of the Group as disclosed in this Note 2 and Note 3 below.
3. The realised fair value change represents the difference between the net sale proceeds from sale of listed equity investment at fair value through other comprehensive income for the period from 1 July 2021 to the Latest Practicable Date and their unaudited book value as at 30 June 2021. The unrealised fair value change represents the difference between the fair value of listed equity investment at fair value through other comprehensive income as at the Latest Practicable Date and their unaudited book value as at 30 June 2021. The listed equity investment at fair value through other comprehensive income refers solely to China Evergrande Group Shares. The Group did not purchase any further China Evergrande Group Shares during the period from 1 July 2021 to the Latest Practicable Date.
4. The Adjusted NAV is set out in this Scheme Document for reference only as the unaudited net asset value of the Group attributable to owners of the Company as at 30 June 2021 has been adjusted after taking into account a number of different factors including the revaluation surplus of the aforesaid property interests of the Group and the realised and unrealised fair value change on the financial assets of the Group, and with reference to a number of different dates including 30 September 2021 (being the date of valuation of the aforesaid properties of the Group), 31 October 2021 (being the last day of the calendar month immediately preceding the Latest Practicable Date) and the Latest Practicable Date, respectively.

6. RELEVANT FINANCIAL INFORMATION

As described in the sub-paragraphs headed “Recent Development” and “Relevant Financial Information” respectively under paragraph headed “9. Reasons for and Benefits of the Proposal” in the Explanatory Statement in Part VI of this Scheme Document above, the Group has during 2021 and up to the Latest Practicable Date disposed of certain investments in debt securities and equity securities. Certain figures relating to the expected realised loss on such disposals had been disclosed in previous announcement(s) of the Company or are required to be disclosed herein and the realised and unrealised fair value change on certain financial assets are set out in this Scheme Document. Pursuant to Rule 10 of the Takeovers Code, the disclosures of the Relevant Financial Information constitute profit forecasts and are required to be reported on by the financial adviser and auditors or accountants of the Company.

In this respect, Gram Capital and HLB Hodgson Impey Cheng Limited have reported on the Relevant Financial Information set out below.

In relation to the China Evergrande Group Shares

- The expected realised loss to be recorded for the year ending 31 December 2021 as a result of the disposal of an aggregate of 546,787,000 China Evergrande Group Shares during 2021 and up to the Latest Practicable Date is approximately HK\$6,762 million.
- The expected aggregated realised loss to be recorded for the year ending 31 December 2021 as a result of the disposal of 860,000,000 China Evergrande Group Shares (assuming all the Remaining China Evergrande Group Shares were to be disposed by the end of 2021 with reference to the closing price of China Evergrande Group Shares as at the Latest Practicable Date) would be approximately HK\$10,558 million.

In relation to the disposal of the Kaisa Notes

- The expected realised loss to be recorded for the year ending 31 December 2021 as a result of the disposals of all the Kaisa Notes during the period from 19 October 2021 to 28 October 2021 (both dates inclusive) as disclosed in the circular of the Company dated 18 November 2021 is an aggregate amount of approximately HK\$1,355 million.

In relation to fair value change on certain financial assets

- The Group recorded (a) a negative realised fair value change on debt securities at fair value through profit or loss of approximately HK\$1,510 million for the period from 1 July 2021 to the Latest Practicable Date; (b) a negative unrealised fair value change on debt securities at fair value through profit or loss of approximately HK\$390 million for the period from 1 July 2021 to 31 October 2021 (being the last day of the calendar month immediately preceding the Latest Practicable Date); (c) a negative realised fair value change on listed equity investment, comprising solely China Evergrande Group Shares, at fair value through other comprehensive income of approximately HK\$4,149 million for the period from 1 July 2021 to the Latest Practicable Date; and (d) a negative unrealised fair value change on listed equity investment, comprising solely China Evergrande Group Shares, at fair value through other comprehensive income of approximately HK\$2,299 million for the period from 1 July 2021 to the Latest Practicable Date.

The reports of Gram Capital and HLB Hodgson Impey Cheng Limited are set out in Appendices IIIA-1 to IIIA-3 and Appendices IIIB-1 to IIIB-3, respectively to this Scheme Document.

APPENDIX IIA PROPERTY VALUATION REPORT BY B.I. APPRAISALS LIMITED

The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this Scheme Document received from B.I. Appraisals Limited, an independent property valuer, in connection with its opinion of market value of the Properties as at 30 September 2021.



B.I. Appraisals Limited

保柏國際評估有限公司

Registered Professional Surveyors, Valuers & Property Consultants

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E-mail info@biappraisals.com
Website: www.biappraisals.com

24 November 2021

Chinese Estates Holdings Limited

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

For the Attention of the Directors

Dear Sirs/Madams,

Re: The properties held by Chinese Estates Holdings Limited and its subsidiaries and associated companies in the Hong Kong Special Administrative Region (“Hong Kong”) and the People’s Republic of China (the “PRC”)

In accordance with the instructions from Chinese Estates Holdings Limited (hereinafter together referred to as the “**Company**”) for us to value the properties (details of the properties are more particularly listed in the Summary of Values attached herewith, hereinafter referred to as the “**Properties**”) held by the Company and its subsidiaries and associated companies (hereinafter collectively referred to as the “**Group**”) in Hong Kong and the PRC, we confirm that we have inspected the Properties, conducted land searches at the Land Registry (for properties in Hong Kong only), made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the values of the Properties as at 30 September 2021 (hereinafter referred to as the “**Date of Valuation**”).

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

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

BASIS OF VALUATION

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

Our valuations have been carried out in accordance with The HKIS Valuation Standards 2020 published by the Hong Kong Institute of Surveyors and under generally accepted valuation procedures and practices, which are in compliance with Rule 11 of the Hong Kong Code on Takeovers and Mergers published by the Securities and Futures Commission, and Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited published by The Stock Exchange of Hong Kong Limited.

We have valued the Properties on the basis that each of them is considered individually. We have not allowed for any discount for the Properties to be sold to a single party nor taken into account any effect on the values if the Properties are to be offered for sale at the same time as a portfolio.

VALUATION APPROACH AND METHODOLOGY

We have focused our valuations by using the Market Approach. In valuing Property Nos. 1 to 6 in Group I and Property Nos. 21 and 22 in Group IV, which are held for investment purposes by the Group in Hong Kong and in the PRC respectively, we have adopted the Investment Method by capitalizing the rental income derived from existing tenancies with due provision for the reversionary income potential of such properties.

For Property Nos. 7 to 10 in Group I, which are mainly agricultural lands held for investment in Hong Kong, and the properties in Groups II, V and VI, which are either held for sale by the Group in Hong Kong, or for sale or for owner-occupation by the Group in the PRC, we have adopted the Direct Comparison Method assuming such properties are available for sale in their existing states with the benefit of vacant possession and by making reference to comparable transactions as available in the relevant markets or, wherever appropriate, the Investment Method by capitalizing the rental income derived from existing tenancies with due provision for the reversionary income potential of such properties.

In valuing the property in Group III, which is held for development by the Group in Hong Kong, we have valued the property in accordance with the latest development proposal provided to us and have assumed that the property will be developed in accordance with such proposal. We have firstly assessed the market value as if completed (the gross development value) of the property. The gross development value represents our opinion of the market value of the proposed development at the property assuming it were fully completed at the Date of Valuation. In arriving at our valuation of the property, we have also taken into consideration the development cost incurred and the costs that will be incurred to complete the proposed development. In assessing the gross development value, we have adopted the Direct Comparison Method by making reference to comparable transactions as available in the relevant markets.

In valuing Property No. 25 in Group VII, which is held and operated by associate of the Company in the PRC, we have assumed all relevant statutory and/or mandatory permissions, permits, approvals and licences that are necessary for the operation have been obtained and have valued using the investment method mentioned above. We have also made reference to sale transactions which are available in the market of en-bloc hotels that are similar to the subject hotel in terms of scale and calibre.

VALUATION ASSUMPTIONS

In valuing the Properties, we have assumed that the Group has valid and enforceable title to the properties which are freely transferable, and has free and uninterrupted right to use the Properties, for the whole of the unexpired lease/land use terms granted subject to payment of annual government rent/land use fees and all requisite land premium/purchase consideration payable has been fully settled.

Our valuations have been made on the assumption that the Group sells the Properties on the open market in their existing states without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to affect the values of such properties. In addition, no account has been taken of any option or right of pre-emption concerning or affecting sales of the Properties and no forced sale situation in any manner is assumed in our valuations.

In valuing those properties located in Hong Kong, the Government Leases of which have expired before 30 June 1997, we have taken into account the provisions contained in the Basic Law of the Hong Kong Special Administrative Region and the New Territories Leases (Extension) Ordinance 1988 that such leases have been extended without any additional payment of premium until 30 June 2047 and that an annual rent equivalent to three per cent of the rateable value of the properties will be charged from the date of extension.

We have assumed that the Properties have been constructed, occupied and used in full compliance with, and without contravention of all ordinances, except only where otherwise stated. We have further assumed that each of the properties is finished and maintained in reasonable condition commensurate with its age and use and is in its original layout without any unauthorized alterations and all consents, approvals, required licenses, permits, certificates and authorizations have been obtained, except only where otherwise stated, for the use of the Properties upon which our valuations are based.

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

POTENTIAL TAX LIABILITY

In the course of our valuations, we have neither verified nor taken into account any potential tax liabilities for each of the Properties that would arise if such property were to be sold at the amount of our valuation. However, as advised by the Group, the potential tax liabilities that will arise on direct disposal of the properties held by the Group at amounts valued by us may include the following:

Properties in Hong Kong

- Stamp Duty at progressive rates up to 15% on the transaction amount; and
- Profit Tax at 16.5% on gain.

Properties in the PRC

- Profit Tax at 25% on profit gained;
- Stamp Duty at 0.05% on the transaction amount;
- Land appreciation tax at progressive rates from 30% to 60% on the net appreciated amount;
- Appreciation Tax at 5% on the amount of value added;
- Deed Tax at 3% to 5% on the transaction amount; and
- City Construction and Maintenance Tax at 1% on the amount of Appreciation Tax, Consumption Tax.

In respect of the properties in Group II and in Group V, which are held for sale, it is likely that the relevant tax liabilities will be crystallized upon sale. For the other properties held by the Group, the likelihood of the relevant tax liabilities being crystallized is remote as the Group has no plans for disposal of these properties yet.

TITLE INVESTIGATION

For those properties located in Hong Kong, we have, as agreed with the Company, caused sampling title searches at the Land Registry. However, we have not searched the original documents to ascertain ownership or to verify any amendments that may not appear on the copies handed to us. All documents and leases have been used for reference only.

Regarding those properties located in the PRC, we have been provided by the Group with copies of title documents. We have not examined the original documents to verify the ownership and to ascertain the existence of any amendments that may not appear on the copies handed to us. All documents have been used for reference only.

Besides, we have been provided by the Group a copy of the legal opinions dated 24 November 2021 prepared by Zhong Lun Law Firm, the Company's legal advisor as to PRC laws (hereinafter referred to as the "**PRC Legal Advisor**"), regarding the title to and the interest of the Group in the properties located in the PRC. In the course of our valuations, we have relied on the advice given by the Group and the opinions from the PRC Legal Advisor.

LIMITING CONDITIONS

We have inspected the exterior and, where possible, the interior of the Properties in October 2021. However, no structural survey has been made nor have any tests been carried out on any of the building services provided in the Properties. We are, therefore, not able to report that the Properties are free from rot, infestation or any other structural defects. Yet, in the course of our inspections, we did not note any serious defects.

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

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

The studies of possible alternative development options and the related economics of the Properties are not within the scope of our valuations.

We have relied to a considerable extent on the information provided by the Group and the legal opinion of the PRC Legal Advisor. We have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, completion date of buildings, particulars of occupancy, tenancy details, site and floor areas and all other relevant matters in the identification of the Properties. We have not seen original planning consents and have assumed that the Properties are erected, occupied and used in accordance with such consents.

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

Our valuations reflect facts and conditions existing at the Date of Valuation. No responsibility is taken for changes in market conditions and local government policy and no obligation is assumed to revise this report to reflect events or conditions, which occur subsequent to the Date of Valuation.

Neither the whole nor any part of this letter nor any reference thereto may be included in any document, circular or statement without our written approval of the form and context in which it will appear.

Finally and in accordance with our standard practice, we must state that this letter and the attached valuation report are for the use only of the party to whom it is addressed and for the specific purpose stated above. No liability to any third party will be accepted for the whole or any part of its contents.

EXCHANGE RATES

Unless otherwise stated, all sums stated in our valuation report are in Hong Kong Dollars. The exchange rate adopted in our valuations is approximately RMB1 = HK\$1.2036 which was approximately the prevailing exchange rates as at the Date of Valuation.

REMARKS

The outbreak of the Novel Coronavirus (COVID-19), declared by World Health Organization on 11 March 2020, has impacted global financial markets and is expected to bring additional disruption to economic activities around the world. The unknown future impact that COVID-19 might have on the real estate market causes volatility and uncertainty that property value might change significantly and unexpectedly even over short periods of time. Readers are reminded that we do not intend to provide an opinion of value as of any date after the Date of Valuation in this report. We recommend that the valuation of the Properties should be kept under frequent review and the users of this report should seek latest opinion on the real estate market for their decisions.

We hereby confirm that we have neither present nor prospective interests in the Group, the Properties or the values reported herein. We confirm that we are an independent qualified valuer as referred to under Rule 11 of the Hong Kong Code on Takeovers and Mergers published by Securities and Futures Commission.

Our summary of values and valuation report are enclosed herewith for your attention.

Yours faithfully,

For and on behalf of

B.I. Appraisals Limited

William C. K. Sham

Registered Professional Surveyor (G.P.)

Registered Business Valuer

China Real Estate Appraiser

MRICS, MHKIS, MCIREA

Executive Director

Notes:

- (1) Mr. William C. K. Sham is a qualified valuer on the approved List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by the Hong Kong Institute of Surveyors. Mr. Sham has over 40 years' experience in the valuation of properties in Hong Kong and has over 25 years' experience in the valuation of properties in the PRC and the Asia Pacific region.
- (2) The inspections of the Properties were carried out in October 2021 by Kenneth C. Y. Ching (MRICS, MHIREA, RICS Registered Valuer), Derrick Chau (holder of Bachelor of Science (Honours) in Surveying), Yukie Tsang and Ms. Wang Yang, who have 2 to 14 years' experience in the valuation of properties in Hong Kong and/or the PRC.

Summary of Values

Property	Capital value in existing state as at 30 September 2021 HK\$	Interest attributable to the Group in percentage	Capital value in existing state attributable to the Group as at 30 September 2021 HK\$
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Group I – Properties held for investment by the Group in Hong Kong

1. All shops on Ground Floor, the whole of 3rd to 6th, 12th to 17th, 19th to 21st and 24th Floors, Rooms 1001-3 and 1005-10 on 10th Floor, Rooms 1801-4 on 18th Floor, common areas, reserved area and the reserved shares for the name of the building, Harcourt House, No. 39 Gloucester Road, Wan Chai, Hong Kong	4,523,330,000	100.00%	4,523,330,000
2. 120 Car Parking Spaces including Lower Level Car Parking Space Nos. 1 to 44 on the 1st Floor, Upper Level Car Parking Space Nos. 1 to 20 on the 1st Floor, Lower Level Car Parking Space Nos. 1 to 12, 22 to 34, 39 to 45 on the 2nd Floor, Upper Level Car Parking Space Nos. 1 to 17 on the 2nd Floor, and the exclusive right and privilege to use and enjoy occupation and enjoyment of all those Adjoining Spaces Nos. 1 to 3 on the Ground Floor, Upper Level Adjoining Spaces No. 1A on the 1st Floor, Lower Level Adjoining Space No. 39A on the 2nd Floor and Upper Level Adjoining Space Nos. 1A and 18 on the 2nd Floor of the Building, Harcourt House, No. 39 Gloucester Road, Wan Chai, Hong Kong	263,000,000	100.00%	263,000,000
3. The whole of 11th Floor, Harcourt House, No. 39 Gloucester Road, Wan Chai, Hong Kong	280,000,000	100.00%	280,000,000

APPENDIX IIA PROPERTY VALUATION REPORT BY B.I. APPRAISALS LIMITED

Property	Capital value in existing state as at 30 September 2021 HK\$	Interest attributable to the Group in percentage	Capital value in existing state attributable to the Group as at 30 September 2021 HK\$
4. All those the Podium Roof on the 3rd Floor, the Flat Roof on the 27th Floor, the Roof and the External Walls (other than windows), Harcourt House, No. 39 Gloucester Road, Wan Chai, Hong Kong	83,400,000	100.00%	83,400,000
5. Various Shop Units on Ground Floor, Mezzanine Floor, 1st Floor and 2nd Floor of Causeway Place, Flats C, I, J, K, L, N, O, P, Q on 3rd Floor including their respective Flat Roofs and Flat H on 3rd Floor, Hong Kong Mansion, Nos. 1A-1H, 1J-1L Yee Wo Street, Nos. 1, 3, 5 and 7 Paterson Street and Nos. 2, 4, 6, 8 and 10 Great George Street, Causeway Bay, Hong Kong	788,000,000	100.00%	788,000,000
6. 38 car parking spaces, 36 lorry parking spaces, 3 container parking spaces and various portions of No. 1 Hung To Road, No. 1 Hung To Road, Kwun Tong, Kowloon, Hong Kong	3,709,000,000	33 ¹ / ₃ %	1,236,333,333
7. 10 lots in Demarcation District 77 and 173 lots in Demarcation District 79, Fanling, New Territories, Hong Kong	210,468,013	25.00%	52,617,003

APPENDIX IIA PROPERTY VALUATION REPORT BY B.I. APPRAISALS LIMITED

Property	Capital value in existing state as at 30 September 2021 HK\$	Interest attributable to the Group in percentage	Capital value in existing state attributable to the Group as at 30 September 2021 HK\$
8. 35 lots in Demarcation District 79, Fanling, New Territories, Hong Kong	31,089,035	43.75%	13,601,453
9. 26 lots in Demarcation District 79, Fanling, New Territories, Hong Kong	30,524,697	50.00%	15,262,349
10. 9/24th equal and undivided shares of and in Lot Nos. 2, 4, 7, 8 and 9 in Demarcation District 464, So Shi Tau, Clear Water Bay, New Territories, Hong Kong	13,560,000	100.00%	13,560,000
Sub-total:	9,932,371,745		7,269,104,138

Group II – Properties held for sale by the Group in Hong Kong

11. 23 Car Parking Spaces, Various Workshops, Reserved Spaces and the Roof in Hing Wai Centre, No. 7 Tin Wan Praya Road, Aberdeen, Hong Kong	140,110,000	50.00%	70,055,000
12. Workshop 4 on 6th Floor and Workshops 1 to 8 on 18th to 20th Floors, Kwong Kin Trade Centre, No. 5 Kin Fat Street, Tuen Mun, New Territories, Hong Kong	98,800,000	50.00%	49,400,000
13. Lorry Parking Space Nos. 14 to 17 and Container Parking Space on 1st Floor of Kwong Sang Hong Center, Nos. 151-153 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong	18,580,000	35.00%	6,503,000

APPENDIX IIA PROPERTY VALUATION REPORT BY B.I. APPRAISALS LIMITED

Property	Capital value in existing state as at 30 September 2021 HK\$	Interest attributable to the Group in percentage	Capital value in existing state attributable to the Group as at 30 September 2021 HK\$
14. Motorcycle Parking Space Nos. M1, M2, M6, M7 and M9 at Basement 2 Floor, Villa Carlton, No. 369 Tai Po Road, Cheung Sha Wan, Kowloon, Hong Kong	310,000	50.00%	155,000
15. Shop Nos.1 and 2 on Ground Floor together with Car Parking Space Nos. S2 and S3 and Motorcycle Parking Space Nos. M2, M3 and M4, i-home, No. 38 Larch Street, Tai Kok Tsui, Kowloon, Hong Kong	52,920,000	100.00%	52,920,000
16. Main Roof Immediately above 28th Floor in Park Avenue Tower, No. 5 Moreton Terrace, Causeway Bay, Hong Kong	1,280,000	50.00%	640,000
17. Car Parking Space No. 1 on 1st Floor and Car Parking Space Nos. 11 and 15 on 2nd Floor, City 151, No. 151 Kau Pui Lung Road, Ma Tau Kok, Kowloon, Hong Kong	3,900,000	100.00%	3,900,000
18. 130 parking space in Mount Beacon, No. 20 Cornwall Street, Kowloon Tong, Kowloon, Hong Kong	195,000,000	33 ¹ / ₃ %	65,000,000
19. Container Vehicle Parking Space on Ground Floor, MP Industrial Centre, No. 18 Ka Yip Street, Chai Wan, Hong Kong	5,200,000	30.00%	1,560,000
Sub-total:	516,100,000		250,133,000

APPENDIX IIA PROPERTY VALUATION REPORT BY B.I. APPRAISALS LIMITED

Property	Capital value in existing state as at 30 September 2021 HK\$	Interest attributable to the Group in percentage	Capital value in existing state attributable to the Group as at 30 September 2021 HK\$
Group III – Property held for development by the Group in Hong Kong			
20. The development site at Nos. 14-18 Ma Kok Street, Tsuen Wan, New Territories, Hong Kong	990,000,000	100.00%	990,000,000
Sub-total:	990,000,000		990,000,000
Group IV – Properties held for investment by the Group in the PRC			
21. Oriental Place, No. 9 East Dongfang Road, North Dongsanhuan Road, Chaoyang District, Beijing, the PRC (中國北京市朝陽區東三環北路東 方東路9號東方國際大廈)	34,422,960	50.00%	17,211,480
22. L9 – 1004, Block No. 1, House No. 48 Liangmaqiao Road, Chaoyang District, Beijing, the PRC (中國北京市朝陽區亮馬橋路48號 院1號樓9層1004)	28,164,240	100.00%	28,164,240
Sub-total:	62,587,200		45,375,720
Group V – Property held for sale by the Group in the PRC			
23. 01, Level -2 to 2, Block No. 18, and Car Parking Space Nos. 145 to 152 on Level -1 of Block 135, House No. 9 Jinglin Road, Chaoyang District, Beijing, the PRC (中國北京市朝陽區景林路9號院18 號樓-2至2層01及135幢-1層停車位 編號145-152)	227,480,400	100.00%	227,480,400
Sub-total:	227,480,400		227,480,400

APPENDIX IIA PROPERTY VALUATION REPORT BY B.I. APPRAISALS LIMITED

Property	Capital value in existing state as at 30 September 2021 HK\$	Interest attributable to the Group in percentage	Capital value in existing state attributable to the Group as at 30 September 2021 HK\$
Group VI – Property held and occupied by the Group in the PRC			
24. L2 – 203, Block No. 1, House No. 48 Liangmaqiao Road, Chaoyang District, Beijing, the PRC (中國北京市朝陽區亮馬橋路48號 院1號樓2層203)	36,108,000	100.00%	36,108,000
Sub-total:	36,108,000		36,108,000
Group VII – Property held and operated by associate of the Company in the PRC			
25. Hilton Beijing, No. 1 Dongfang Road, North Dongsanhuan Road, Chaoyang District, Beijing, the PRC (中國北京市朝陽區東三環北路東 方路1號北京希爾頓酒店)	52,958,400	50.00%	26,479,200
Sub-total:	52,958,400		26,479,200
GRAND TOTAL:	11,817,605,745		8,844,680,458

VALUATION REPORT

Group I – Properties held for investment by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2021
1. All shops on Ground Floor, the whole of 3rd to 6th, 12th to 17th, 19th to 21st and 24th Floors, Rooms 1001-3 and 1005-10 on 10th Floor, Rooms 1801-4 on 18th Floor, common areas, reserved area and the reserved shares for the name of the building, Harcourt House, No. 39 Gloucester Road, Wan Chai, Hong Kong 488,432/842,100th equal and undivided parts or shares of and in Inland Lot No. 8573	<p>Harcourt House (the “Building”), completed in about 1987, is a 28-storey commercial building located on the southern side of Gloucester Road at its junction with Fenwick Street in Wan Chai District.</p> <p>The Building lies within an area currently zoned as “Commercial” on the Draft Wan Chai Outline Zoning Plan No. S/H5/28 gazetted on 4 May 2018.</p> <p>The Building has shops and car parking spaces on Ground Floor, car parking spaces on 1st and 2nd Floors, and offices on upper floors.</p> <p>The property comprises all retail shops on Ground Floor, the whole of 3rd to 6th Floor, 9 office units on 10th Floor, the whole of 12th to 17th Floors, 4 office units on 18th Floor, 19th to 21st and 24th Floors together with the common areas, reserved area and the reserved shares for the naming right of the Building.</p> <p>The lettable floor area of the property (excluding mechanical and car parking areas) is approximately 23,089.00 sq.m. (248,530 sq.ft.).</p> <p>Inland Lot No. 8573 is held under Conditions of Sale No. 11629 for a term of 75 years commencing from 31 August 1982 renewable for a further term of 75 years.</p> <p>The Government Rent payable for Inland Lot No. 8573 is HK\$1,000 per annum.</p>	<p>With the exception of a total lettable floor area of approximately 5,799 sq.m. (62,416 sq.ft.) that is vacant, the property is let under various tenancies, yielding a total monthly rental income of about HK\$9.15 million exclusive of rates and service charges.</p> <p>Most of the tenancies are for terms of 3 years with the latest expiring on 22 November 2025.</p>	<p>HK\$4,523,330,000</p> <p>(100% interest attributable to the Group: HK\$4,523,330,000)</p>

Notes:

- 1) The registered owner of the property is Chinese Estates (Harcourt House) Limited via an assignment dated 23 February 1998, registered vide Memorial No. UB3667998.
- 2) We have been advised that Chinese Estates (Harcourt House) Limited is an indirect wholly-owned subsidiary of the Company.
- 3) The property also includes common areas, reserved shares for the name of the Building and reserved area (the “**miscellaneous areas**”) which have been allocated a total of 7,300/842,100 equal and undivided shares of and in Inland Lot No. 8573.

APPENDIX IIA PROPERTY VALUATION REPORT BY B.I. APPRAISALS LIMITED

- 4) The whole of 12th to 15th Floors of the property are subject to the following encumbrances:
- a) Legal Charge in favour of OCBC Wing Hang Bank Limited vide Memorial No. 19011001990028 dated 21 December 2018; and
 - b) Earnings Assignment and Charge Over Accounts in favour of OCBC Wing Hang Bank Limited vide Memorial No.19011001990035 dated 21 December 2018.
- 5) Shop A, Shop B and Shop C on Ground Floor, whole of 3rd, 4th and 5th Floors, Rooms 1001-3 and 1005-10 on 10th Floor of the property are subject to the following encumbrances:
- a) Legal Charge in favour of OCBC Wing Hang Bank Limited vide Memorial No. 17070501270079 dated 29 June 2017; and
 - b) supplement to Legal Charge in favour of OCBC Wing Hang Bank Limited vide Memorial No. 18062901950057 dated 27 June 2018.
- 6) The whole of 16th, 17th, 20th, 21st and 24th Floors and Units 1801-1804 on 18th Floor of the property are subject to the following encumbrances:
- a) Legal charge in favour of China Construction Bank (Asia) Corporation Limited vide Memorial No. 18121801710230 dated 26 November 2018; and
 - b) Earnings Assignment and Charge Over Accounts in favour of China Construction Bank (Asia) Corporation Limited vide Memorial No. 18121801710248 dated 26 November 2018.
- 7) The whole of 20th Floor of the property is also subject to a Duplicate Tenancy Agreement in favour of The Financial Secretary Incorporated vide Memorial No. 19050202440060 dated 31 December 2018 for a rent of HK\$710,000 per month.
- 8) The Building lies within an area currently zoned as “Commercial” on the Draft Wan Chai Outline Zoning Plan No. S/H5/28 gazetted on 4 May 2018.
- 9) In valuing the property, we have assumed unit rents from about HK\$129 per sq.ft. for retail portion and from about HK\$39 to HK\$51 per sq.ft. for office portion. We have assumed respective capitalization rates of 4.5% and 3.0% for retail and office premises.

In undertaking our valuation, we have made reference to lettings within the property as well as other comparable properties in the neighbourhood. The monthly rents are in the range from about HK\$110 to HK\$167 per sq.ft. for retail premises and from about HK\$40 to HK\$42 per sq.ft. for office premises. We have collected and analyzed various recent sales transactions of shops and offices and noted that the implied yields are generally about 4.5% for retail premises and in the range from about 2.8% to 3.0% for office premises respectively. The unit rents assumed and the capitalization rates adopted are considered consistent with those of the market comparables.

APPENDIX IIA PROPERTY VALUATION REPORT BY B.I. APPRAISALS LIMITED

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2021
2.	<p>120 Car Parking Spaces including Lower Level Car Parking Space Nos. 1 to 44 on the 1st Floor, Upper Level Car Parking Space Nos. 1 to 20 on the 1st Floor, Lower Level Car Parking Space Nos. 1 to 12, 22 to 34, 39 to 45 on the 2nd Floor, Upper Level Car Parking Space Nos. 1 to 17 on the 2nd Floor, and the exclusive right and privilege to use and enjoy occupation and enjoyment of all those Adjoining Spaces Nos. 1 to 3 on the Ground Floor, Upper Level Adjoining Spaces No. 1A on the 1st Floor, Lower Level Adjoining Space No. 39A on the 2nd Floor and Upper Level Adjoining Space Nos. 1A and 18 on the 2nd Floor of the building, Harcourt House, No. 39 Gloucester Road, Wan Chai, Hong Kong</p> <p>16,950/842,100th equal and undivided parts or shares of and in Inland Lot No. 8573</p>	<p>Harcourt House (the “Building”), completed in about 1987, is a 28-storey commercial building located on the southern side of Gloucester Road at its junction with Fenwick Street in Wan Chai District.</p> <p>The Building lies within an area currently zoned as “Commercial” on the Draft Wan Chai Outline Zoning Plan No. S/H5/28 gazetted on 4 May 2018.</p> <p>The Building has shops and car parking spaces on Ground Floor, car parking spaces on 1st and 2nd Floors and offices on upper floors.</p> <p>The property comprises a total of 120 Car Parking Spaces on Ground Floor to 2nd Floor of the Building.</p> <p>Inland Lot No. 8573 is held under Conditions of Sale No. 11629 for a term of 75 years commencing from 31 August 1982 and renewable for a further term of 75 years.</p> <p>The Government Rent payable for Inland Lot No. 8573 is HK\$1,000 per annum.</p>	<p>The property, except for 28 car parking spaces that are vacant, is currently leased to various tenants on monthly or fixed term basis with the latest expiring on 4 November 2024, yielding a total monthly rental income of HK\$366,303.</p>	<p>HK\$263,000,000</p> <p>(100% interest attributable to the Group: HK\$263,000,000)</p>

APPENDIX IIA PROPERTY VALUATION REPORT BY B.I. APPRAISALS LIMITED

Notes:

- 1) The registered owner of the property is Smart Profit (Hong Kong) Limited via an assignment dated 23 December 1998, registered vide Memorial No. UB7663794.
- 2) We have been advised that Smart Profit (Hong Kong) Limited is an indirect wholly-owned subsidiary of the Company.
- 3) The Building lies within an area currently zoned as “Commercial” on the Draft Wan Chai Outline Zoning Plan No. S/H5/28 gazetted on 4 May 2018.
- 4) In valuing the property, we have assumed a monthly rent about HK\$5,000 per bay and a capitalization rate of 2.5% for car parking spaces.

In undertaking our valuation, we have made reference to lettings within the property as well as other comparable properties in the neighbourhood. The monthly rents are in the range from about HK\$4,200 to HK\$6,500 per bay. We have collected and analyzed various recent sales transactions of comparable properties and noted that the implied yield is generally about 2.5%. The monthly rents assumed and the capitalization rate adopted are considered consistent with those of the market comparables.

APPENDIX IIA PROPERTY VALUATION REPORT BY B.I. APPRAISALS LIMITED

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2021
3. The whole of 11th Floor, Harcourt House, No. 39 Gloucester Road, Wan Chai, Hong Kong	Harcourt House (the “ Building ”), completed in about 1987, is a 28-storey commercial building located on the southern side of Gloucester Road at its junction with Fenwick Street in Wan Chai District.	Except for Room 1105 with a gross floor area of 169.27 sq.m. (1,822 sq.ft.) that are vacant, the property is subject to two tenancies for terms of 3 years with the latest expiring on 1 May 2022, yielding a total monthly rental of approximately HK\$664,400 exclusive of rates and services charges.	HK\$280,000,000 (100% interest attributable to the Group: HK\$280,000,000)
25,100/842,100th equal and undivided parts or shares of and in Inland Lot No. 8573	<p>The Building lies within an area currently zoned as “Commercial” on the Draft Wan Chai Outline Zoning Plan No. S/H5/28 gazetted on 4 May 2018.</p> <p>The Building has shops and car parking spaces on Ground Floor, car parking spaces on 1st and 2nd Floors and offices on upper floors.</p> <p>The property comprises the whole of 11th Floor of the building. The total lettable floor area and is approximately 1,414.44 sq.m. (15,225 sq.ft.).</p> <p>Inland Lot No. 8573 is held under Conditions of Sale No. 11629 for a term of 75 years commencing from 31 August 1982 and renewable for a further term of 75 years.</p> <p>The Government Rent payable for Inland Lot No. 8573 is HK\$1,000 per annum.</p>		

Notes:

- 1) The registered owner of the property is Globe Eagle Limited via an assignment dated 31 March 2001, registered vide Memorial No. UB8370700.
- 2) We have been advised that Globe Eagle Limited is an indirect wholly-owned subsidiary of the Company.
- 3) The Building lies within an area currently zoned as “Commercial” on the Draft Wan Chai Outline Zoning Plan No. S/H5/28 gazetted on 4 May 2018.

APPENDIX IIA PROPERTY VALUATION REPORT BY B.I. APPRAISALS LIMITED

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2021
4. All those the Podium Roof on the 3rd Floor, the Flat Roof on the 27th Floor, the Roof and the External Walls (other than windows), Harcourt House, No. 39 Gloucester Road, Wan Chai, Hong Kong 63,800/842,100th equal undivided parts or shares of and in Inland Lot No. 8573	<p>Harcourt House (the “Building”), completed in about 1987, is a 28-storey commercial building located on the southern side of Gloucester Road at its junction with Fenwick Street in Wan Chai District.</p> <p>The Building lies within an area currently zoned as “Commercial” on the Draft Wan Chai Outline Zoning Plan No. S/H5/28 gazetted on 4 May 2018.</p> <p>The Building has shops and car parking spaces on Ground Floor, car parking spaces on 1st and 2nd Floors and office on upper floors.</p> <p>The property comprises external walls (other than windows) of the Building, Podium Roof on 3rd Floor, Flat Roof on the 27th Floor and the Roof of the Building.</p> <p>Inland Lot No. 8573 is held under Conditions of Sale No. 11629 for a term of 75 years commencing from 31 August 1982 and renewable for a further term of 75 years.</p> <p>The Government Rent payable for Inland Lot No. 8573 is HK\$1,000 per annum.</p>	<p>Podium Roof on 3rd Floor is currently vacant whilst Flat Roof on 27th Floor is currently leased to a tenant from 10 March 2020 to 9 March 2024 yielding a rental of HK\$1,146,761 (1st year), HK\$1,215,567 (2nd year), HK\$1,288,501 (3rd year), HK\$1,365,811 (4th year) and HK\$1,447,759 (5th year) per month exclusive of rates and service charges.</p>	<p>HK\$83,400,000</p> <p>(100% interest attributable to the Group: HK\$83,400,000)</p>

Notes:

- 1) The registered owner of the property is Sound City Limited via an assignment dated 1 June 1994, registered vide Memorial No. UB6033912.
- 2) We have been advised that Sound City Limited is an indirect wholly-owned subsidiary of the Company.
- 3) The Building lies within an area currently zoned as “Commercial” on the Draft Wan Chai Outline Zoning Plan No. S/H5/28 gazetted on 4 May 2018.

APPENDIX IIA PROPERTY VALUATION REPORT BY B.I. APPRAISALS LIMITED

			Capital value in existing state as at 30 September 2021																												
Property	Description and tenure	Particulars of occupancy																													
5.	<p>Various Shop Units on Ground Floor, Mezzanine Floor, 1st Floor and 2nd Floor of Causeway Place, Flats C, I, J, K, L, N, O, P, Q on 3rd Floor including their respective Flat Roofs and Flat H on 3rd Floor, Hong Kong Mansion, Nos. 1A-1H, 1J-1L Yee Wo Street, Nos. 1, 3, 5 and 7 Paterson Street and Nos. 2, 4, 6, 8 and 10 Great George Street, Causeway Bay, Hong Kong</p> <p>1,224/1,828th of and in 24/353rd of and 10/353rd equal and undivided parts or shares of and in Inland Lot No. 7742</p>	<p>Hong Kong Mansion, completed in 1966, is a 21-storey residential building built over a 5-storey (including one basement floor and one mezzanine floor) commercial podium with portion of Basement Floor designated as carport. It is located on the northeastern side of Yee Wo Street and bounded by Paterson Street on the east and Great George Street on the north within the commercial hub of Causeway Bay.</p> <p>The property lies within an area currently zoned as “Commercial” on the Approved Causeway Bay Outline Zoning Plan No. S/H6/17 gazetted on 18 January 2019.</p> <p>The property comprises 2 shop units on Ground Floor, 3 shop units on Mezzanine Floor, 43 shop units of 1st Floor, 54 shop units on 2nd Floors and the portions of the exterior walls of the 2nd Floor and the Common Areas together with ten domestic units and nine Flat Roofs on the 3rd Floor.</p> <p>Details of the approximate gross floor area breakdown are listed as follows:</p> <table><tr><th>Floor</th><th colspan="2">Gross Floor Area</th></tr><tr><td></td><td><i>sq.m.</i></td><td><i>sq.ft.</i></td></tr><tr><td>Ground Floor</td><td>175.86</td><td>1,893</td></tr><tr><td>Mezzanine Floor</td><td>137.96</td><td>1,485</td></tr><tr><td>1st Floor</td><td>931.62</td><td>10,028</td></tr><tr><td>2nd Floor</td><td>1,047.66</td><td>11,277</td></tr><tr><td>Total</td><td>2,293.10</td><td>24,683</td></tr><tr><td>3rd Floor (Domestic) (Roof)</td><td>684.23</td><td>7,365</td></tr><tr><td></td><td>381.27</td><td>4,104</td></tr></table> <p>Inland Lot No. 7742 is held under Conditions of Sale No. 6702 for a term of 75 years commencing from 25th April 1961 renewable for a further term of 75 years.</p> <p>The Government Rent payable for Inland Lot No. 7742 is HK\$2,068 per annum.</p>	Floor	Gross Floor Area			<i>sq.m.</i>	<i>sq.ft.</i>	Ground Floor	175.86	1,893	Mezzanine Floor	137.96	1,485	1 st Floor	931.62	10,028	2nd Floor	1,047.66	11,277	Total	2,293.10	24,683	3rd Floor (Domestic) (Roof)	684.23	7,365		381.27	4,104	<p>Shops M1, M2, M3, N1, N2, O, P have been merged to form two Shops (namely Shop 1 and Shop 2) on Ground Floor and an entrance leading to 1st Floor, 2nd Floor and Mezzanine Floor of Causeway Place. Shop 1 and 2 are let at a basic monthly rental of HK\$750,000 or 14% of monthly gross revenue whichever is greater from 8 March 2019 to 7 March 2022.</p> <p>Shops on 1st and 2nd Floors and their respective portions of Exterior Walls are let under various tenancies or licences for terms of 1 to 3 years with the latest expiring on 9 December 2023 yielding a total monthly rental income of about HK\$946,000.</p> <p>The domestic premises, except for all Flat Roof on 3rd Floor is vacant, are let under various licences for terms of 2 to 3 years with the latest expiring on 29 February 2024, yielding a total monthly licence fee of HK\$111,701. All licences contain a break clause to terminate the licence agreement by either parties by giving 1-month to 3-months notices in writing.</p> <p>The vacancy rates for the retail portion and the domestic portion are about 2.5% and 8.3% respectively.</p>	<p>HK\$788,000,000</p> <p>(100% interest attributable to the Group: HK\$788,000,000)</p>
Floor	Gross Floor Area																														
	<i>sq.m.</i>	<i>sq.ft.</i>																													
Ground Floor	175.86	1,893																													
Mezzanine Floor	137.96	1,485																													
1 st Floor	931.62	10,028																													
2nd Floor	1,047.66	11,277																													
Total	2,293.10	24,683																													
3rd Floor (Domestic) (Roof)	684.23	7,365																													
	381.27	4,104																													

Notes:

- 1) The property comprises retail units No. G01-G02, reserved area and signage space on the façade of shop Nos. 1&2 and common area on Ground Floor, retail units No. M01-M03, reserved area and part of external wall on Mezzanine Floor, retail units No. 102, 106, 107, 108, 117, 119, 120, 121, 122, 123, 123A, 124, 125, 126, 131, 132, 134, 138, 139, 140, 141, 142, 143, 144, 145, 146, 153, 154, 157, 158, 158A, 166, 169, 172, 173, 174, 175, 175A, 177-78, 179, 180, 181 on 1st Floor, retail units No. 201, 202, 203, 204, 205, 206, 266, 267, 209, 210, 212, 214, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 226A, 227, 228, 229, 231, 232, 239, 240, 241, 242, 243, 244, 245, 248, 250, 251, 257, 261, 268, 269, 273A, 275, 277, 278, 278A, 280-281, 282, 283, 284, 288, 289 and the portions of the exterior walls on 2nd Floor, the common areas and domestic units No. C, I, J, K, L, N, O, P, Q including their respective Flat Roofs, unit H on 3rd Floor and advertising space unit nos. EX01-14.
- 2) The registered owner of the common areas is Perfect World Company Limited vide an assignment dated 5th July 2013, registered vide Memorial No. 1307220135001 and the registered owner for the rest of the property is Hillsborough Holdings Limited via five assignments dated 15 April 1992 and 8 January 2001, registered vide Memorial Nos. 5274692, 5274693, UB8350423, UB8352485 and UB8308465.
- 3) We have been advised that Perfect World Company Limited and Hillsborough Holdings Limited are indirect wholly-owned subsidiaries of the Company.
- 4) The property lies within an area currently zoned as “Commercial” on the Approved Causeway Bay Outline Zoning Plan No. S/H6/17 gazetted on 18 January 2019.
- 5) In valuing the property, we have assumed a unit rent of HK\$300 per sq.ft. for retail portion on Ground Floor, unit rents from about HK\$47 to HK\$56 per sq.ft. for retail portion on upper floor and a unit rent of HK\$26 per sq.ft. for domestic portion. We have assumed respective capitalization rates of 2.63%, 2.88% and 3.0% for retail on Ground Floor, retail on upper floor and domestic premises.

In undertaking our valuation, we have made reference to lettings within the property as well as other comparable properties in the neighbourhood. The monthly rents are in the range from about HK\$140 to HK\$481 per sq.ft. for retail premises on Ground Floor, from about HK\$36 to HK\$50 per sq.ft. for retail premises on upper floor and from about HK\$24 to HK\$26 per sq.ft. for domestic premises. We have collected and analyzed various recent sales transactions of shops and domestic flats and noted that the implied yields are generally in the range from about 2.5% to 2.9% for retail premises and from about 2.7% to 3.6% for domestic premises respectively. The unit rents assumed and the capitalization rates adopted are considered consistent with those of the market comparables.

APPENDIX IIA PROPERTY VALUATION REPORT BY B.I. APPRAISALS LIMITED

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2021
6. 38 car parking spaces, 36 lorry parking spaces, 3 container parking spaces and various portions of No. 1 Hung To Road (see Note 1 below), No. 1 Hung To Road, Kwun Tong, Kowloon, Hong Kong	<p>No. 1 Hung To Road (the “Building”) is a 33-storey industrial building with ancillary car parking, loading and unloading areas completed in 1994.</p> <p>The Building lies within an area currently zoned as “Other Specified Uses” on the Draft Kwun Tong (South) Outline Zoning Plan No. S/K14S/23 gazetted on 19 March 2021.</p> <p>The property comprises various workshop units, 3 container parking spaces, 36 lorry parking spaces and 38 private car parking spaces of the Building.</p> <p>The total gross floor area (excluding the car parking spaces) of the property is approximately 49,424.93 sq.m. (532,010 sq.ft.).</p> <p>Kwun Tong Inland Lot No. 415 is held under Conditions of Sale No. 7697 for a term of 21 years commencing from 1 July 1962 (less the last 3 days thereof), renewable for a further term of 14 years, which is statutorily extended to 30 June 2047.</p> <p>The Government Rent payable for Kwun Tong Inland Lot No. 415 is HK\$3,542,418 per annum.</p>	<p>Except with a total gross floor area of 2,867.71 sq.m. (30,868 sq.ft.) that is vacant, the property (excluding parking spaces) is let under various tenancies and licences for terms of 1 to 3 years with the latest expiring on 17 August 2024, yielding a total monthly income of about HK\$9.16 million (exclusive of rates and service charges).</p> <p>The parking spaces are licensed on hourly/monthly basis and the total licence fee of the parking spaces for the 3-month period ended 30 September 2021 was HK\$1,723,037.</p>	<p>HK\$3,709,000,000</p> <p>(33¹/₃% interest attributable to the Group:</p> <p>HK\$1,236,333,333)</p>

Notes:

- The property comprises the whole of the Ground Floor (comprising Factory Units 1-3, 3A and 5-8) and 2nd Floor (comprising Factory Units 1-3, 5 and 6), Factory Units 2-3, 6-10, 12-13, 15-21 and Store Room Unit 23 on 6th Floor, the whole of the 7th Floor (comprising Factory Units 1-3, 5-13, 15-22 and Store Room Unit 23), Factory Units 1-3, 6-10, 12-13, 15-22 and Store Room Unit 23 on 8th Floor, Store Room Unit 23 on 10th Floor, the whole of 11th Floor (comprising Factory Units 1-3, 5-13, 15-22 and Store Room Unit 23), 12th Floor (comprising Factory Units 1-3, 5-13, 15-22 and Store Room Unit 23), 15th Floor (comprising Factory Units 1-3, 5-13, 15-22 and Store Room Unit 23), 16th Floor (comprising Factory Units 1-3, 5-13, 15-22 and Store Room Unit 23), 17th Floor (comprising Factory Units 1-3, 5-13, 15-22 and Store Room Unit 23), 18th Floor (comprising Factory Units 1-3, 5-13, 15-22 and Store Room Unit 23), Units 3, 5-11, 22 and Store Room Unit 23 on 20th Floor, Units 11 and 23 on 21st Floor, the whole of 23rd Floor (comprising Factory Units 1-3, 5-13 and 15-22), 25th Floor (comprising Factory Units 1-3, 5-13 and 15-22), Factory Units 3, 5-9, 12-13 and 15-22 on 26th Floor, the whole of 28th Floor (comprising Factory Units 1-3, 5-13 and 15-22), 29th Floor (comprising Factory Units 1-3, 5-13 and 15-22), 30th Floor (comprising Factory Units 1-3, 5-13 and 15-22), 32nd Floor (comprising Factory Units 1-3, 5-13 and 15-22), 33rd Floor (comprising Factory Units 1-3, 5-13 and 15-22), Factory Units 12-13 and 15-22 on 35th Floor, Factory Units 1, 3, 5-9, 11-12, 15-20 and 22 on 36th Floor, and all the 77 parking spaces (comprising Car Parking Spaces C1-C3 on Ground Floor, Car Parking Spaces L1-L36 on 1st Floor, Car Parking Spaces CP1-CP38 on 3rd Floor), Roof, retained area and common area of the Building.
- The registered owner of the property is Finedale Industries Limited via an Assignment dated 30 December 1988, registered vide Memorial No. UB3956667.
- We have been advised that Finedale Industries Limited is an indirect 33¹/₃%-owned associate of the Company.
- The Building lies within an area currently zoned as “Other Specified Uses” on the Draft Kwun Tong (South) Outline Zoning Plan No. S/K14S/23 gazetted on 19 March 2021.

- 5) In valuing the property, we have assumed unit rents from about HK\$18 to HK\$24 per sq.ft. per month for industrial portion and unit prices from about HK\$1,900,000 to HK\$3,800,000 per bay for the parking spaces. We have assumed respective capitalization rates of 3.45% and 3.7% for industrial premises on Ground Floor and Upper Floor.

In undertaking our valuation, we have made reference to lettings within the property as well as other comparable properties in the neighbourhood. The monthly rents are in the range from about HK\$11 to HK\$26 per sq.ft. for industrial premises and transaction prices are from about HK\$2,000,000 to HK\$2,300,000 per bay for parking spaces. We have collected and analyzed various recent sales transactions of industrial premises and noted that the implied yields are generally in the range from about 3.6% to 3.8% for industrial premises. The unit rents assumed and the capitalization rates adopted are considered consistent with those of the market comparables.

APPENDIX IIA PROPERTY VALUATION REPORT BY B.I. APPRAISALS LIMITED

			Capital value in existing state as at 30 September 2021															
Property	Description and tenure	Particulars of occupancy																
7. 10 lots in Demarcation District 77 and 173 lots in Demarcation District 79 (see Note 1 below), Fanling, New Territories, Hong Kong	<p>The property comprises 10 agricultural lots located in Ping Che and 172 agricultural lots and 1 house lot in Wo Keng Shan.</p> <p>The property falls within “Agriculture” and “Village Type Development” zones on the Approved Wo Keng Shan Outline Zoning Plan No. S/NE-WKS/10 gazetted on 16 October 2009.</p> <p>The registered site area of the property is approximately as follows:</p> <table><tr><th colspan="3">Approximate Site Area</th></tr><tr><th></th><th><i>sq.m.</i></th><th><i>sq.ft.</i></th></tr><tr><td>House lot</td><td>242.85</td><td>2,614</td></tr><tr><td>Agricultural lots</td><td>157,211.91</td><td>1,692,229</td></tr><tr><td>Total</td><td>157,454.76</td><td>1,694,843</td></tr></table>	Approximate Site Area				<i>sq.m.</i>	<i>sq.ft.</i>	House lot	242.85	2,614	Agricultural lots	157,211.91	1,692,229	Total	157,454.76	1,694,843	<p>Except for a total site area of approximately 103,715 sq.m. (1,116,390 sq.ft.) that are subject to various tenancies for terms of 3 years with the latest expiring on 31 July 2024 yielding a total monthly rental of approximately HK\$11,627, the property is vacant.</p>	<p>HK\$210,468,013 (See Note 4 below)</p> <p>(25% interest attributable to the Group: HK\$52,617,003) (see Note 3) below)</p>
Approximate Site Area																		
	<i>sq.m.</i>	<i>sq.ft.</i>																
House lot	242.85	2,614																
Agricultural lots	157,211.91	1,692,229																
Total	157,454.76	1,694,843																
<p>The property is held under two Government Leases both for a term of 75 years from 1 July 1898 renewed for a further term of 24 years less the last three days thereof which is statutorily extended to 30 June 2047.</p> <p>The Government Rent payable for the property per annum is 3% of its rateable value.</p>																		

Notes:

- The property comprises 10 agricultural lots of Lot Nos. 108S.A, 384, 387, 385S.B, 116, 117, 110S.A, 112, 113 and 114 in Demarcation District 77 and 172 agricultural lots of Lot Nos. 1315R.P., 1316R.P., 1326, 1327, 1360R.P., 1484, 1485, 1510, 1521, 1538, 1541, 1547, 1550, 1563, 1568, 1569, 1578, 1517, 1595, 1605, 1539, 1545, 1553R.P., 1536, 1543, 1546, 1509, 1313, 1537, 1548, 1540, 1441R.P., 1480R.P., 1551, 1534, 1566, 1567, 1362, 1542R.P., 1481R.P., 1482R.P., 1194, 1352, 1442, 1448R.P., 1198S.B, 1624, 1627, 1629, 1518S.A, 1193S.A, 1177, 1183, 1282R.P., 1245R.P., 1331, 1337, 1423, 1427R.P., 1571, 1623, 1630, 1633, 1334, 1432, 1437, 1631, 1329, 1350, 1323R.P., 1444, 1495, 1504, 1592, 1395, 1469, 1577, 1590, 1107, 1384, 1516R.P., 1182, 1195, 1197, 1346, 1349, 1366, 1519, 1522, 1524, 1580, 1583, 1584, 1586, 1596, 1604, 1608, 1610, 1585, 1201, 1159S.A, 1187S.A, 1189, 1410, 1411, 1376, 1379, 1383, 1436S.A, 1408S.B, 1430S.B, 1401, 1122, 1287, 1289, 1294, 1295, 1324, 1467R.P., 1497, 1574, 1642R.P., 1291, 1465R.P., 1487, 1488, 1494, 1505, 1507, 1506, 1398, 1299, 1454R.P., 1468R.P., 1333, 1400, 1426R.P., 1498, 1500, 1554R.P., 1625, 1621, 1622, 1525, 1533, 1535, 1097S.A S.S.1, 1292S.A, 1306, 1403S.A, 1429, 1075, 1144, 1520, 1518S.B, 1609, 1612, 1614, 1616, 1617, 1619, 1328, 1404, 1297, 1446, 1447, 1449R.P., 1451R.P., 1405, 1159S.B R.P., 1159S.B S.S.1 and 1591 and 1 house lot of 16S.A (Wo Keng Shan House Lot) in Demarcation District 79.
- Global Sound Limited is the registered owner of 35 agricultural lots of Lot Nos. 1282R.P., 1245R.P, 1331, 1337, 1423, 1427R.P., 1571, 1623, 1630, 1633, 1334, 1432, 1437, 1631, 1329, 1350, 1323R.P., 1444, 1495, 1504, 1516R.P., 1592, 1395, 1469, 1577, 1590, 1107, 1384, 1609, 1612, 1614, 1616, 1617, 1619 and 1328 in Demarcation District 79, and 1 house lot of 16S.A (Wo Keng Shan House Lot) in Demarcation District 79, in its capacity as a trustee for Hero Star (HK) Limited under various Declarations of Trust whereas the registered owner of the remaining lots is Hero Star (HK) Limited.

APPENDIX IIA PROPERTY VALUATION REPORT BY B.I. APPRAISALS LIMITED

- 3) As confirmed by the Company, the Group effectively and indirectly holds 25% interest in the property. We have been advised by the Company that the Group holds 50% indirect interest in Nadine Holdings Limited, which holds 50/85 shares (or 58.823% interest) in Hopeking Properties Limited, which, in turn, holds 85% direct interest in Hero Star (HK) Limited. The Group is considered to have significant degree of control of the indirect associates even though the interest of the Group in the property is only 25%.
- 4) We have been advised by the Company that 18 agricultural lots and partial of the house lot in the property have been occupied by third parties without approval from the registered owner. 18 agricultural lots including Lot Nos. 108S.A. in Demarcation District 77 and Lot Nos. 1177, 1182, 1183, 1193S.A, 1198S.B., 1337, 1346, 1349, 1352, 1366, 1437, 1446, 1447, 1451R.P., 1468R.P., 1578 and 1580 in Demarcation District No. 79, having a total site area approximately of 24,223.06 sq.m. (260,737 sq.ft.) at the value of HK\$32,070,651 and partial of the house lot of Wo Keng Shan House Lot No. 16S.A. in Demarcation District No. 79, having a total site area approximately of 73.32 sq.m. (800 sq.ft.) at the value of HK\$711,200. Should the registered owner lose its ownership on these 18 agricultural lots and the partial house lot, the capital value of the property would be reduced by approximately HK\$32,781,851 to HK\$177,686,162.
- 5) The property falls within “Agriculture” and “Village Type Development” zones on the Approved Wo Keng Shan Outline Zoning Plan No. S/NE-WKS/10 gazetted on 16 October 2009 and the Approved Ping Che and Ta Kwu Ling Outline Zoning Plan No. S/NE-TKL/14 gazetted on 12 March 2010.

APPENDIX IIA PROPERTY VALUATION REPORT BY B.I. APPRAISALS LIMITED

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2021
8. 35 lots in Demarcation District 79 (see Note 1 below), Fanling, New Territories, Hong Kong	<p>The property comprises 35 agricultural lots located in Wo Keng Shan.</p> <p>The property falls within “Green Belt” and “Agriculture” zones on the Approved Wo Keng Shan Outline Zoning Plan No. S/NE-WKS/10 gazetted on 16 October 2009 and the Approved Ping Che and Ta Kwu Ling Outline Zoning Plan No. S/NE-TKL/14 gazetted on 12 March 2010.</p> <p>The registered site area of the property is approximately 32,452.16 sq.m. (349,315 sq.ft.).</p> <p>The property is held under a Government Lease for a term of 75 years from 1 July 1898 renewed for a further term of 24 years less the last three days thereof which is statutorily extended to 30 June 2047.</p> <p>The Government Rent payable for the property per annum is 3% of its rateable value.</p>	<p>Except for a total site area of approximately 19,994.61 sq.m. (215,222 sq.ft.) that are subject to various tenancies for terms of 3 years with the latest expiring on 31 July 2023 yielding a total monthly rental of approximately HK\$44,742, the property is vacant.</p>	<p>HK\$31,089, 035 (See Note 5 below)</p> <p>(43.75% interest attributable to the Group: HK\$13,601,453)</p>

Notes:

- 1) The property comprises totally 35 agricultural lots of Lot Nos. 1134, 1148, 1152, 1171, 1178, 1357, 1367, 1371, 1373, 1375, 1377, 1386, 1388, 1406, 1413, 1445, 1532, 1597, 1598, 1599, 1601, 1603, 1615, 1618, 1620, 1252R.P., 1275R.P., 1309R.P., 1355R.P., 1356R.P., 1408S.A, 1408S.C, 1430S.A, 1430S.C and 1511S.A in Demarcation District 79.
- 2) The registered owner of the property is Poly-Style Limited.
- 3) We have been advised that Poly-Style Limited is an indirect 43.75%-owned associate of the Company.
- 4) We have been advised by the Company that 6 lots in the property including Lot Nos. 1134, 1178, 1355R.P., 1356R.P., 1430S.C. and 1445 in Demarcation District 79, having a total site area approximately of 3,796.64 sq.m. (40,867 sq.ft.), have been partially occupied by third parties without approval from the registered owner.
- 5) Should the registered owner lose its ownership on these 6 agricultural lots, the capital value of the property would be reduced to approximately HK\$27,451,872.
- 6) The property falls within “Agriculture” and “Green Belt” zones on the Approved Wo Keng Shan Outline Zoning Plan No. S/NE-WKS/10 gazetted on 16 October 2009 and the Approved Ping Che and Ta Kwu Ling Outline Zoning Plan No. S/NE-TKL/14 gazetted on 12 March 2010.

APPENDIX IIA PROPERTY VALUATION REPORT BY B.I. APPRAISALS LIMITED

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2021
9. 26 lots in Demarcation District 79 (see Note 1 below), Fanling, New Territories, Hong Kong	<p>The property comprises 26 agricultural lots located in Wo Keng Shan.</p> <p>The property falls within “Agriculture”, “Village Type Development” and “Green Belt” zones under the Approved Wo Keng Shan Outline Zoning Plan No. S/NE-WKS/10 gazetted on 3 October 2014.</p> <p>The registered site area of the property is approximately 21,321.91 sq.m. (229,509 sq.ft.).</p> <p>The property is held under a Government Lease for a term of 75 years from 1 July 1898 renewed for a further term of 24 years less the last three days thereof which is statutorily extended to 30 June 2047.</p> <p>The Government Rent payable for the property per annum is 3% of its rateable value.</p>	<p>Except for a total site area of approximately 15,591.23 sq.m. (167,824 sq.ft.) that are subject to three tenancies for terms of 3 years with the latest expiring on 31 July 2023 yielding a total monthly rental of approximately HK\$825, the property is vacant.</p>	<p>HK\$30,524,697</p> <p>(50% interest attributable to the Group: HK\$15,262,349)</p>

Notes:

- 1) The property comprises Lot Nos. 1288, 1298, 1471 R.P., 1472 R.P., 1493, 1293 R.P., 1296, 1301, 1302, 1303, 1311, 1312, 1544, 1503, 1575, 1582, 1628, 1486, 1489, 1292 R.P., 1403 R.P., 1470, 1491, 1496, 1528 and 1314 in Demarcation District No. 79.
- 2) The registered owner of the property is General Wide Limited.
- 3) We have been advised that General Wide Limited is an indirect 50%-owned associate of the Company.
- 4) The property falls within “Agriculture”, “Village Type Development” and “Green Belt” zones on the Approved Wo Keng Shan Outline Zoning Plan No. S/NE-WKS/10 gazetted on 16 October 2009.

APPENDIX IIA PROPERTY VALUATION REPORT BY B.I. APPRAISALS LIMITED

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2021
10.	9/24th equal and undivided parts or shares of and in Lot Nos. 2, 4, 7, 8 and 9 in Demarcation District 464, So Shi Tau, Clear Water Bay, New Territories, Hong Kong	<p>The property comprises five contiguous agricultural lots of irregular shape located in Sai Kung District of New Territories. The total registered site area is approximately 34,458.57 sq.m. (370,912 sq.ft.).</p> <p>The property falls within “Conservation Area” and “Coastal Protection Area” zones on the Approved Clear Water Bay Peninsula South Outline Zoning Plan No. S/SK-CWBS/2 gazetted on 9 June 2006.</p> <p>Lot Nos. 2, 4, 7 and 8 in Demarcation District 464 are commonly held under a Government Lease for a term of 75 years commencing from 1 July 1898 with a right to renew for a further term of 24 years less the last 3 days thereof whilst Lot No. 9 in Demarcation District 464 is held under New Grant No. 2609 for a term of 99 years, all are statutorily extended to 30 June 2047.</p> <p>The Government Rent payable for the property is HK\$18.08 per annum.</p>	<p>The property is currently vacant.</p>	<p>HK\$13,560,000</p> <p>(100% interest attributable to the Group: HK\$13,560,000)</p>

Notes:

- 1) The registered owner of the property is Country Homes Limited via five assignments with memorial nos. and dates of instrument as follows:

Share	Date of Instrument	Memorial No.
1/12	30 November 1964	SK78320
1/12	30 November 1964	SK78321
1/12	4 January 1965	SK78481
1/24	2 May 1973	SK86150
1/12	8 May 1973	SK86215

- 2) We have been advised that Country Homes Limited is an indirect wholly-owned subsidiary of the Company.
- 3) The property falls within “Conservation Area” and “Coastal Protection Area” zones on the Approved Clear Water Bay Peninsula South Outline Zoning Plan No. S/SK-CWBS/2 gazetted on 9 June 2006.
- 4) The zonings of “Conservation Area” and “Coastal Protection Area” are intended to protect, conserve and retain the natural landscape. Generally, only developments that are needed to support the conservation of the existing natural landscape or scenic quality of the area or are essential infrastructure projects with overriding public interest may be permitted.

Given the property comprises 5 agricultural lots within the area zoned “Conservation Area” and “Coastal Protection Area”, the property, currently, is not considered to have immediate development potential.

APPENDIX IIA PROPERTY VALUATION REPORT BY B.I. APPRAISALS LIMITED

Group II – Properties held for sale by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2021
11. 23 car parking spaces, various workshops, reserved spaces and the roof in Hing Wai Centre (see Note 1 below), No. 7 Tin Wan Praya Road, Aberdeen, Hong Kong	Hing Wai Centre, completed in 1990, is a 35-storey (including one basement and one refuge floor) industrial building located on the southern side of Tin Wan Praya Road at the coastal area of Tin Wan within Aberdeen District. The property comprises various workshops, reserved spaces together with 23 car parking spaces on ground/upper ground floors and the roof of the subject building.	With the exception of approximately 119.00 sq.m. (1,281 sq.ft.) gross floor area which is vacant, the property is let under various tenancies on monthly or fixed term basis with the latest expiring on 23 September 2023, yielding a total monthly rental income of approximately HK\$124,641.85 mostly exclusive of rates, government rent and management fees.	HK\$140,110,000 (50% interest attributable to the Group: HK\$70,055,000)
10/11th of and in 11/102,588th, 9,476/100,000th of and in 2,374/102,588th and 1,508/102,588th equal undivided parts or shares of and in Aberdeen Inland Lot No. 414	The subject building lies within an area zoned “Industrial” under the Approved Aberdeen & Ap Lei Chau Outline Zoning Plan No. S/H15/33 gazetted on 31 August 2018. The total gross floor area of the property (excluding car parking spaces and the roof) is approximately 1,671.59 sq.m. (17,993 sq.ft.). Aberdeen Inland Lot No. 414 is held under Conditions of Exchange No. 12040 for a term commencing from 21 January 1989 and expiring on 30 June 2047. The Government Rent payable for the property per annum is 3% of its rateable value.	17 car parking spaces are let on monthly basis yielding a total monthly income of approximately HK\$44,000. The roof and certain reserved spaces are subject to various licence agreements with the latest expiring on 30 November 2023 yielding a total monthly licence fee of approximately HK\$107,279.	

Notes:

- The property comprises Reserved Spaces on 6th Floor, 7th Floor and 8th Floor, Unit Nos. 8 and 9 on 13th Floor, Unit Nos. 17 to 24 on 16th Floor, the Roof Floor, Car Parking Space Nos. V3, V4, V14 to V16, L1 to L6, L19, L20 and C1 and Reserved Spaces on the Ground Floor Garage and Car Parking Space Nos. V1 to V5, V11, V12, V24 and V37 on the Upper Ground Floor Garage in Hing Wai Centre.
- The registered owner of the property is Hit City Limited vide Memorial No. UB7578353 dated 4 September 1998.
- We have been advised that Hit City Limited is an indirect 50%-owned associate of the Company.
- The subject building lies within an area zoned “Industrial” under the Approved Aberdeen & Ap Lei Chau Outline Zoning Plan No. S/H15/33 gazetted on 31 August 2018.

APPENDIX IIA PROPERTY VALUATION REPORT BY B.I. APPRAISALS LIMITED

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2021
12. Workshop 4 on 6th Floor and Workshops 1 to 8 on 18th to 20th Floors of Kwong Kin Trade Centre, No. 5 Kin Fat Street, Tuen Mun, New Territories, Hong Kong	<p>Kwong Kin Trade Centre, completed in about 1994, is a 27-storey industrial building located on the western side of Kin Fat Street within Tuen Mun District.</p> <p>The subject building lies within an area zoned “Industrial” under the Approved Tuen Mun Outline Zoning Plan No. S/TM/35 gazetted on 21 December 2018.</p> <p>The property comprises 25 industrial units, in a 27-storey industrial building.</p> <p>The total gross floor area of the property is approximately 2,707.73 sq.m. (29,146 sq.ft.).</p> <p>Castle Peak Town Lot No. 9 is held under New Grant No. 1499 for a term of 99 years less the last three days thereof from 1 July 1898 which was statutorily extended to 30 June 2047.</p> <p>The Government Rent payable for the property per annum is 3% of its rateable value.</p>	<p>The property is let under 2 monthly tenancies yielding a total monthly rental income of approximately HK\$237,554 exclusive of management fees, rates and government rent.</p>	<p>HK\$98,800,000</p> <p>(50% interest attributable to the Group: HK\$49,400,000)</p>

Notes:

- 1) The registered owner of the property is Polyco Development Limited vide Memorial No. TM532267 dated 2 January 1992.
- 2) We have been advised that Polyco Development Limited is an indirect 50%-owned associate of the Company.
- 3) The subject building lies within an area zoned “Industrial” under the Approved Tuen Mun Outline Zoning Plan No. S/TM/35 gazetted on 21 December 2018.

APPENDIX IIA PROPERTY VALUATION REPORT BY B.I. APPRAISALS LIMITED

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2021
13. Lorry Parking Space Nos. 14 to 17 and Container Parking Space on 1st Floor of Kwong Sang Hong Centre, Nos. 151-153 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong	<p>Kwong Sang Hong Centre, completed in about 1992, a 19-storey industrial building located on the northeastern of Hoi Bun Road at its junction with How Ming Street within the industrial area of Kwun Tong District.</p> <p>The subject development lies within an area currently zoned as “Other Specified Uses” on the Draft Kwun Tong (South) Outline Zoning Plan No. S/K14S/23 gazetted on 19 March 2021.</p>	The property is subject to a monthly licence at a licence fee of HK\$38,500 exclusive of government rent and rates and management fee.	<p>HK\$18,580,000</p> <p>(35% interest attributable to the Group: HK\$6,503,000)</p>
11/3,091st equal undivided parts or shares of and in Kwun Tong Inland Lot Nos. 529 and 530	<p>The property comprises four lorry parking spaces and one container parking space on the 1st Floor of the subject development.</p> <p>Kwun Tong Inland Lot Nos. 529 and 530 are held respectively under Conditions of Sale Nos. UB8338 and UB8339 for common terms of 99 years less the last three days thereof from 1 July 1898, which have been statutorily extended to 30 June 2047.</p> <p>The Government Rent payable for Kwun Tong Inland Lot No. 529 and 530 is HK\$378 and HK\$396 per annum respectively.</p>		

Notes:

- 1) The registered owner of the property is Healthy Win Limited via an assignment dated 26 February 1994, registered vide Memorial No. UB5958605.
- 2) We have been advised that Healthy Win Limited is an indirect 35%-owned associate of the Company.
- 3) The subject development lies within an area currently zoned as “Other Specified Uses” on the Draft Kwun Tong (South) Outline Zoning Plan No. S/K14S/23 gazetted on 19 March 2021.

APPENDIX IIA PROPERTY VALUATION REPORT BY B.I. APPRAISALS LIMITED

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2021
14. Motorcycle Parking Space Nos. M1, M2, M6, M7 and M9 at Basement 2 Floor, Villa Carlton, No. 369 Tai Po Road, Cheung Sha Wan, Kowloon, Hong Kong	<p>Villa Carlton, completed in about 2000, is a medium-rise residential development with ancillary car parking facilities. It is located on the southern side of Tai Po Road at its junction with Ching Cheung Road within Cheung Sha Wan District.</p> <p>The subject development lies within an area currently zoned as “Residential (Group C)” and “Green Belt” on the Draft Cheung Sha Wan Outline Zoning Plan No. S/K5/37 gazetted on 16 December 2016.</p> <p>The property comprises 5 motorcycle parking spaces on Basement 2 Floor of the subject development.</p> <p>New Kowloon Inland Lot No. 4850 is held under Conditions of Exchange No. 8134 for a term of 75 years renewed for a further term of 24 years less the last three days thereof which has been statutorily extended to 30 June 2047.</p> <p>The Government Rent payable for the property per annum is 3% of its rateable value.</p>	<p>The property is let on monthly basis. The total rental for the 9-month period ended 30 September 2021 was HK\$22,200.</p>	<p>HK\$310,000</p> <p>(50% interest attributable to the Group: HK\$155,000)</p>
20/41336th equal undivided parts or shares of and in the Remaining Portion of New Kowloon Inland Lot No. 4850 and the Extension Thereto			

Notes:

- 1) The registered owner of the property is Ever Sure Investments Limited via an assignment dated 30 September 1997, registered vide Memorial No. 7301246.
- 2) We have been advised that Ever Sure Investments Limited is an indirect 50%-owned associate of the Company.
- 3) The subject development lies within an area currently zoned as “Residential (Group C)” and “Green Belt” on the Draft Cheung Sha Wan Outline Zoning Plan No. S/K5/37 gazetted on 16 December 2016.

APPENDIX IIA PROPERTY VALUATION REPORT BY B.I. APPRAISALS LIMITED

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2021
15. Shop Nos. 1 and 2 on Ground Floor (see Note 1 below) together with Car Parking Space Nos. S2 and S3 and Motorcycle Parking Space Nos. M2, M3 and M4, i-home, No. 38 Larch Street, Tai Kok Tsui, Kowloon, Hong Kong	<p>i-home, completed in about 2009, is a 38-storey (including one refuge floor) residential building built over a 4-storey commercial/carpark podium. It is located on the northeastern side of Larch Street at that section between Fir Street and Lime Street within Tai Kok Tsui of Mong Kok District.</p> <p>The subject building lies within an area currently zoned as “Residential (Group A)” on the Draft Mong Kok Outline Zoning Plan No. S/K3/33 gazetted on 16 April 2021.</p>	<p>The two shops are let under a tenancy for a term of four years and nine months expiring on 11 August 2023 at a monthly rental of HK\$62,000.</p> <p>Car Parking Space No. S2 is currently subject to a monthly licence at a monthly licence fee of HK\$4,300, whereas the remaining car and motorcycle parking spaces are vacant.</p>	<p>HK\$52,920,000</p> <p>(100% interest attributable to the Group: HK\$52,920,000)</p>
268/10504th equal undivided parts or shares of and in the Kowloon Inland Lot No. 11182	<p>The property comprises 2 commercial units on Ground Floor, 2 car parking spaces and 3 motorcycle parking spaces.</p> <p>The total gross floor area of the two subject shops is approximately 283.35 sq.m. (3,050 sq.ft.)</p> <p>Kowloon Inland Lot No. 11182 is held under Conditions of Exchange No. 20018 for a term of 50 years from 25 November 2005.</p> <p>The Government Rent payable for the property per annum is 3% of its rateable value.</p>		

Notes:

- 1) The addresses of the two shop units are registered in the Land Registry as follows:
 - a) Shop 1, i-home, No. 42 Larch Street, Kowloon; and
 - b) Shop 2, i-home, No. 40 Larch Street, Kowloon.
- 2) The registered owner of the property is Speed Win Limited via an assignment dated 18 October 2018, registered vide Memorial No. 18102301960011.
- 3) We have been advised that Speed Win Limited is an indirect wholly-owned subsidiary of the Company.
- 4) The property lies within an area currently zoned as “Residential (Group A)” on the Draft Mong Kok Outline Zoning Plan No. S/K3/33 gazetted on 16 April 2021.

APPENDIX IIA PROPERTY VALUATION REPORT BY B.I. APPRAISALS LIMITED

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2021
16.	Main Roof Immediately above 28th Floor, Park Avenue Tower, No. 5 Moreton Terrace, Causeway Bay, Hong Kong 2/333rd equal and undivided parts or shares of and in the Remaining Portion of Sections D and E of Inland Lot No. 1580 and Sections C and D of Inland Lot No. 2321	Park Avenue Tower, completed in about 1992, is a 30-storey commercial building located on the southwestern side of Moreton Terrace near its junction with Tung Lo Wan Road within Causeway Bay District. The subject building lies within an area currently zoned as “Other Specified Uses” on the Approved Causeway Bay Outline Zoning Plan No. S/H6/17 gazetted on 18 January 2019. The property comprises the rooftop immediately above 28th Floor of the subject building. Inland Lot Nos. 1580 and 2321 are held under the respective Government Leases for common terms of 75 years commencing from 29 January 1900 and renewed for further common terms of 75 years. The Government Rent payable for the property is HK\$60 per annum.	The property is vacant.	HK\$1,280,000 (50% interest attributable to the Group: HK\$640,000)

Notes:

- 1) The registered owner of the property is Touch Arms Limited via an assignment dated 14 January 2003, registered vide Memorial No. UB8865240.
- 2) We have been advised that Touch Arms Limited is an indirect 50%-owned associate of the Company.
- 3) The property lies within an area currently zoned as “Other Specified Uses” on the Approved Causeway Bay Outline Zoning Plan No. S/H6/17 gazetted on 18 January 2019.

APPENDIX IIA PROPERTY VALUATION REPORT BY B.I. APPRAISALS LIMITED

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2021
17.	Car Parking Space No. 1 on 1st Floor and Car Parking Space Nos. 11 and 15 on 2nd Floor, City 151, No. 151 Kau Pui Lung Road, Ma Tau Kok, Kowloon, Hong Kong	City 151, completed in about 2004, is a 29-storey commercial/residential building located on the eastern side of Kau Pui Lung Road at that section between Lok Shan Road and Kiang Su Street within Ma Tau Kok District. The subject building lies within an area currently zoned as “Residential (Group A)” on the Draft Ma Tau Kok Outline Zoning Plan No. S/K10/27 gazetted on 21 May 2021.	The property is subject to 3 monthly licences yielding a total monthly licence fee of HK\$6,000 inclusive of rates and services charges.	HK\$3,900,000 (100% interest attributable to the Group: HK\$3,900,000)
	18/10,000th equal undivided parts or shares of and in Kowloon Inland Lot No. 8152	The property comprises 3 covered car parking spaces. Kowloon Inland Lot No. 8152 is held under a Government Lease for a term of 75 years commencing from 13 March 1963. The Government Rent payable for Kowloon Inland Lot No. 8152 is HK\$198 per annum.		

Notes:

- 1) The registered owner of the property is Cardin Factory Limited via an assignment dated 26 January 1998, registered vide Memorial No. UB7429610.
- 2) We have been advised that Cardin Factory Limited is an indirect wholly-owned subsidiary of the Company.
- 3) The subject building lies within an area currently zoned as “Residential (Group A)” on the Draft Ma Tau Kok Outline Zoning Plan No. S/K10/27 gazetted on 21 May 2021.

APPENDIX IIA PROPERTY VALUATION REPORT BY B.I. APPRAISALS LIMITED

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2021
18. Parking Space Nos. 1, 4, 7 to 9, 12 to 21, 24, 26 to 35, 37 to 56, 61, 64, 66, 69, 71 to 73, 78, 80 and 81 on Ground Floor and Parking Space Nos. 1, 2, 4 to 35, 37 to 48, 50 to 61, 65, 73 to 75, 79 to 81, 84, 87, 93 to 95, 97 and 99 to 101 on Lower Ground Floor, Mount Beacon, No. 20 Cornwall Street, Kowloon, Hong Kong	<p>Mount Beacon, completed in about 2006, is a private residential development comprising 22 blocks of townhouses and 5 blocks of medium-rise apartment buildings located on the northern side of Cornwall Street at its junction with Tat Hong Avenue within Shek Kip Mei District.</p> <p>The subject development lies within an area currently zoned as “Residential (Group C)” on the Draft Shek Kip Mei Outline Zoning Plan No. S/K4/30 gazetted on 20 August 2021.</p> <p>The property comprises 56 parking spaces on Ground Floor and 74 parking spaces on Lower Ground Floor of the subject development.</p> <p>New Kowloon Inland Lot No. 6196 is held under Conditions of Sale No. UB12626 for a term of 50 years commencing from 15 April 2002.</p> <p>The Government Rent payable for the property per annum is 3% of its rateable value.</p>	<p>The property is subject to various monthly licences, yielding a total licence income of HK\$1,428,675 for the 3-month period ended on 30 September 2021.</p>	<p>HK\$195,000,000</p> <p>(33¹/₃% interest attributable to the Group: HK\$65,000,000)</p>
130/185 of 277/3,679th equal undivided parts or shares of and in New Kowloon Inland Lot No. 6196			

Notes:

- 1) The registered owner of the property is Direct Win Development Limited held under Conditions of Sale No. UB12626 of New Kowloon Inland Lot No. 6196.
- 2) We have been advised that Direct Win Development Limited is an indirect 33¹/₃%-owned associate of the Company.
- 3) The subject development lies within an area currently zoned as “Residential (Group C)” on the Draft Shek Kip Mei Outline Zoning Plan No. S/K4/30 gazetted on 20 August 2021.

APPENDIX IIA PROPERTY VALUATION REPORT BY B.I. APPRAISALS LIMITED

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2021
19. Container Vehicle Parking Space on Ground Floor, MP Industrial Centre, No. 18 Ka Yip Street, Chai Wan, Hong Kong	MP Industrial Centre, completed in about 1992, is consisted of two blocks of 15 to 16-storey industrial building erected over a 4-storey workshop/car park podium. It is located on the southeastern side of Ka Yip Street at cargo handling basin of Chai Wan District.	The property is let on hourly basis, yielding a total rental income of HK\$4,800 for the 3-month period ended 30 September 2021.	HK\$5,200,000 (30% interest attributable to the Group: HK\$1,560,000)
10/8,899th equal undivided parts or shares of and in Chai Wan Inland Lot No. 139 (the "Lot")	<p>The subject development lies within an area currently zoned as "Industrial" on the Approved Chai Wan Outline Zoning Plan No. S/H20/25 gazetted on 14 May 2021.</p> <p>The property comprises 1 container parking space on the ground floor of the subject development.</p> <p>Chai Wan Inland Lot No. 139 is held under Conditions of Sale No. 12021 for a term from 13 July 1988 until 30 June 2047.</p> <p>The Government Rent payable for the property per annum is 3% of its rateable value.</p>		

Notes:

- 1) The registered owner of the property is Autowin Limited held under Conditions of Sale No. 12021 of Chai Wan Inland Lot No. 139.
- 2) We have been advised that Autowin Limited is an indirect 30%-owned associate of the Company.
- 3) The subject development lies within an area currently zoned as "Industrial" on the Approved Chai Wan Outline Zoning Plan No. S/H20/25 gazetted on 14 May 2021.

APPENDIX IIA PROPERTY VALUATION REPORT BY B.I. APPRAISALS LIMITED

Group III – Property held for development by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2021
20. The development site at Nos. 14-18 Ma Kok Street, Tsuen Wan, New Territories, Hong Kong	The property comprises a parcel of land with a site area of approximately 20,000 sq.ft. (1,858.05 sq.m.) (See Note 4 below) situated on the southern side of Ma Kok Street at its junction with Tsuen Yip Street in the southeastern part of Tsuen Wan District.	The property is currently vacant and subject to construction works.	HK\$990,000,000 (See Note 6 below) (100% interest attributable to the Group: HK\$990,000,000)
Tsuen Wan Town Lot No. 128	<p>The property lies within an area zoned “Industrial” on the Draft Tsuen Wan Outline Zoning Plan No. S/TW/34 gazetted on 26 February 2021.</p> <p>According to a set of general building plans that was filed with Buildings Department on 19 March 2021, the property is proposed to be redeveloped into an industrial building of 23-storey over 2 levels of basement car park (hereinafter referred to as the “Proposed Development”) (See Note 5 below).</p> <p>Upon completion, scheduled to be in the third quarter of 2024, the Proposed Development will accommodate workshops on 1st to 22nd Floors, entrance lobby, 1 container parking space and 11 parking/loading and unloading spaces for heavy goods vehicles on Ground Floor, 1 private car parking space and 15 parking/loading and unloading spaces for light goods vehicles on Basement 1, and 21 private car and 2 motorcycle parking spaces and 5 parking/loading and unloading spaces for light goods vehicles on Basement 2.</p> <p>The total gross floor area of the Proposed Development is approximately 228,001 sq.ft. (21,181.81 sq.m.).</p> <p>Tsuen Wan Town Lot No. 128 is held from the Government under New Grant No. 5000 for a term of 99 years commencing from 1 July 1898 and has been statutorily extended until 30 June 2047.</p> <p>The Government Rent payable for the property per annum is 3% of its rateable value.</p>		

Notes:

- 1) The registered owner of the property is Landrich (H.K.) Limited via an assignment dated 6 October 2017, registered vide Memorial No. 17102302230112.
- 2) We have been advised that Landrich (H.K.) Limited is an indirect wholly-owned subsidiary of the Company.

APPENDIX IIA PROPERTY VALUATION REPORT BY B.I. APPRAISALS LIMITED

- 3) The property is subject to the following encumbrances registered in the Land Registry:
- a) Mortgage in favour of Nanyang Commercial Bank, Limited to secure all moneys in respect of general banking facilities dated 6 October 2017, registered vide Memorial No. 17102302230120.
- 4) Pursuant to the New Grant No. 5000 dated 14 January 1972, the site area of the subject lot (i.e. Tsuen Wan Town Lot No. 128) is about 20,000 sq.ft. (equivalent to approximately 1,858.05 sq.m.).
- 5) Pursuant to the approval letter dated 14 May 2021 issued by Building Departments, the application for approval of proposals in respect of Building (Major Revision) Amendment has been approved.
- 6) We have been advised by the Company that the total cost (excluding interest and land cost) to develop the property is estimated to be approximately HK\$800,000,000 and that the total development cost that has already been expended as at the Date of Valuation amounted to approximately HK\$40,000,000. In the course of our valuation, we have taken into account the construction cost that has already been expended.
- 7) The capital value as if completed (i.e. the gross development value) as at the Date of Valuation of the Proposed Development is reasonably assessed in the region of HK\$2,495,000,000.
- 8) We have relied on the information and advice given by the Company and prepared our valuation with the following assumptions:
- a) The property would be developed into an industrial building of 23-storey over 2 levels of basement car park with a total gross floor area of approximately 21,181.81 sq.m. (228,001 sq.ft.).
 - b) The total cost of development (excluding interest and land cost) for the Proposed Development would be approximately HK\$800,000,000.
 - c) Completion of the Proposed Development would be in the third quarter of 2024.

APPENDIX IIA PROPERTY VALUATION REPORT BY B.I. APPRAISALS LIMITED

Group IV – Properties held for investment by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2021
21. Oriental Place, No. 9 East Dongfang Road, North Dongsanhuan Road, Chaoyang District, Beijing, the PRC (中國北京市朝陽區東三環北路東方東路9號東方國際大廈)	<p>The property, completed in about 1995, is a 10-storey office building built on a site with a site area of approximately 2,600.80 sq.m. (27,995 sq.ft.) located off the western side of East Dongfang Road within Chaoyang District of Beijing.</p> <p>The total gross floor area of the property is approximately 8,544.90 sq.m. (91,977 sq.ft.), excluding the basement area of approximately 1,087.7 sq.m. (11,708 sq.ft.).</p> <p>The land use rights of the property have been granted by way of administrative appropriation for a term from 1 July 1996 to 30 September 2023.</p>	<p>The property (excluding car parking spaces) is leased under various tenancies for terms of one to five years with the latest expiry in 16 August 2023 yielding a total monthly rental of RMB961,973.97 (excluding management fee).</p> <p>In addition, 35 out of the 41 car parking spaces in the property are subject to monthly licences with the total licence fee for September 2021 being RMB15,000.</p>	<p>HK\$34,422,960 (see Note 6 below)</p> <p>(50% interest attributable to the Group: HK\$17,211,480)</p>

Notes:

- 1) Pursuant to the Certificate of State-owned Land Use (國有土地使用證) Shi Chao Zhong Wai Guo Yong (98) Zi No. 00459 (市朝中外國用(98)字第00459號) issued by Beijing Municipal Building and Land Administrative Bureau (北京市房屋土地管理局, referred to as the “Bureau”) on 15 September 1998, the land use rights of the land on which the property is erected (referred to as the “Land”), having a site area of 2,600.8 sq.m., have been granted by way of administrative appropriation to Oriental Arts Building Co., Ltd. (referred to as “OAB”) for a term commencing from 1 July 1996 to 30 September 2023 for office use.
- 2) Pursuant to the Building Ownership Certificate (房屋所有權證) Shi Chao Zhong Wai Zi No. 00281 (市朝中外字第00281號) issued by the Bureau on 30 July 1998, the title of the property, comprising a gross floor area of 8,544.9 sq.m. with a basement area of 1,087.7 sq.m., is held by OAB.
- 3) As confirmed by the Group, the Group holds 50% interest in the property through OAB, a 50%-owned associate of the Company.
- 4) We have been advised by the Group that application for extending the term of land use rights of the property has been made in May 2021.
- 5) The opinion of the PRC Legal Advisor is summarized as follows:
 - a) OAB is a company duly formed and validly existing under the laws of the PRC.
 - b) OAB is in possession of the proper legal title to the land use rights and the building ownership of the property. Yet the term of the land use rights is to expire on 30 September 2023.
 - c) The Land may not be used as allocated land for office building/office purposes after the expiration of the land use term. If OAB wishes to continue to use the Land after the expiration, it is required to obtain the approval of the competent authority to convert the land use rights status from administrative appropriation into that of by way of grant before it can be renewed.

APPENDIX IIA PROPERTY VALUATION REPORT BY B.I. APPRAISALS LIMITED

- d) Since the land use rights of the Land is obtained by way of administrative appropriation, OAB may transfer the property after obtaining approval from the local government, signing the contract for the grant of land use rights and settling the land premium/offset the land premium by the sale proceeds.
- e) The property, as confirmed by the Company, is not involved in any mortgage, ownership dispute or judicial freezing.
- 6) We have relied on the aforesaid legal opinion and prepared our valuation on the following assumptions:
 - a) OAB is in possession of a proper legal title to the land use rights and the building ownership of the property;
 - b) OAB is entitle to transfer the property in accordance with the relevant rules and regulations; and
 - c) The term of land use rights will expire on 30 September 2023.
- 7) The status of the title and grant of major approvals and licence in accordance with the information provided by the Group and the opinion of the PRC Legal Advisor:

Certificate of State-owned Land Use	Obtained
Building Ownership Certificate	Obtained
Business Licence	Obtained

APPENDIX IIA PROPERTY VALUATION REPORT BY B.I. APPRAISALS LIMITED

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2021
22.	L9 – 1004, Block No. 1, House No. 48 Liangmaqiao Road, Chaoyang District, Beijing, the PRC (中國北京市朝陽區亮馬橋路48號院1號樓9層1004)	<p>The subject building, known as Four Seasons Private Apartments, is a 22-storey residential building, and was completed in about 2010.</p> <p>The property is situated on Level 9. The gross floor area of the property is approximately 243.30 sq.m. (2,619 sq.ft.).</p> <p>The land use rights of the property have been granted for terms of 70 years for residential use commencing from 2 March 1999.</p>	<p>The property is currently vacant.</p>	<p>HK\$28,164,240</p> <p>(100% interest attributable to the Group: HK\$28,164,240)</p>

Notes:

- 1) Pursuant to the Building Ownership Certificate (房屋所有權證) X Jing Fang Quan Zheng Chao Zi No. 1348323 (X京房權證朝字第1348323號) issued by Beijing Chaoyang District Housing Administration Bureau (北京市朝陽區房屋管理局) on 31 March 2014, the ownership of the property, is vested in Evergo (Beijing) Corporate Management Co., Ltd. (愛美高(北京)企業管理有限公司, referred to as “Evergo (Beijing) Corporate Management”).
- 2) We have been advised that Evergo (Beijing) Corporate Management is an indirect wholly-owned subsidiary of the Company.
- 3) The opinion of the PRC Legal Advisor is summarized as follows:
 - a) Evergo (Beijing) Corporate Management is a company duly formed and validly existing under the laws of the PRC.
 - b) Evergo (Beijing) Corporate Management is in possession of the proper legal title to the property and is entitled to dispose of, mortgage or lease the property in accordance with the laws.
 - c) The property, as confirmed by the Company, is not involved in any mortgage, ownership dispute or judicial freezing.
- 4) The status of the title and grant of major approvals and licence in accordance with the information provided by the Group and the opinion of the PRC Legal Advisor:

Building Ownership Certificate	Obtained
Business Licence	Obtained

Group V – Property held for sale by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2021
23.	01, Levels -2 to 2 of Block No. 18, Car Parking Space Nos. 145 to 152 on Level -1 of Block 135, House No. 9 Jinglin Road, Chaoyang District, Beijing, the PRC (中國北京市朝陽區景林路9號院18號樓-2至2層01及135幢-1層停車位編號145-152)	<p>The property forms part of the luxury residential development known as Ocean LA VIE (遠洋LA VIE). It is developed by 4 phases on a site located off the northwestern side of Airport Expressway at that section between Beigao Bridge (北皋橋) and Wenyu Bridge (溫榆橋) in Chaoyang District of Beijing.</p> <p>The property, completed in about 2012, comprises a detached garden house of 2 storeys plus 2 basement levels together with 8 car parking spaces on Level -1 of Block No. 135 of the subject development.</p> <p>The gross floor area of the subject building is approximately 1,925.96 sq.m. (20,731 sq.ft.) and the total gross floor area of the 8 subject car parking spaces is 469.52 sq.m. (5,054 sq.ft.).</p> <p>The land use rights of the subject garden house have been granted for a term of 70 years commencing from 24 October 2002 for residential use.</p> <p>The land use rights of the subject car parking spaces have been granted for a term of 50 years commencing from 22 October 2002 for car parking use.</p>	<p>The property is currently vacant.</p>	<p>HK\$227,480,400 (See Note 4 below)</p> <p>(100% interest attributable to the Group: HK\$227,480,400)</p>

Notes:

- Pursuant to the Certificate of Real Estate Ownership (不動產權證書) Jing (2017) Chao Bu Dong Chan Quan No. 0119258 (京(2017)朝不動產權第0119258號) dated 15 December 2017 issued by Beijing Municipal Commission of Planning and Land Resources Management (北京市規劃和國土資源管理委員會), the real estate ownership of the subject building with a total gross floor area of 1,925.96 sq.m. is vested in Evergo Investment Counsel (Beijing) Co., Ltd. (愛美高(北京)投資顧問有限公司, referred to as “Evergo Investment Counsel (Beijing)”).

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- 2) Pursuant to the 8 sets of Certificate of Real Estate Ownership all dated 15 December 2017 issued by Beijing Municipal Commission of Planning and Land Resources Management (北京市規劃和國土資源管理委員會), the real estate ownership of the subject car parking spaces with a total gross floor area of 469.52 sq.m. is vested in Evergo Investment Counsel (Beijing). Details of the said certificates are as follows:

Car Parking Space	Certificate No.	Gross Floor Area (sq.m.)
No. 145	Jing (2017) Chao Bu Dong Chan Quan No. 0119261 (京(2017)朝不動產權第0119261號)	58.69
No. 146	Jing (2017) Chao Bu Dong Chan Quan No. 0119262 (京(2017)朝不動產權第0119262號)	58.69
No. 147	Jing (2017) Chao Bu Dong Chan Quan No. 0119270 (京(2017)朝不動產權第0119270號)	58.69
No. 148	Jing (2017) Chao Bu Dong Chan Quan No. 0119275 (京(2017)朝不動產權第0119275號)	58.69
No. 149	Jing (2017) Chao Bu Dong Chan Quan No. 0119277 (京(2017)朝不動產權第0119277號)	58.69
No. 150	Jing (2017) Chao Bu Dong Chan Quan No. 0119278 (京(2017)朝不動產權第0119278號)	58.69
No. 151	Jing (2017) Chao Bu Dong Chan Quan No. 0119281 (京(2017)朝不動產權第0119281號)	58.69
No. 152	Jing (2017) Chao Bu Dong Chan Quan No. 0119282 (京(2017)朝不動產權第0119282號)	58.69

- 3) We have been advised that Evergo Investment Counsel (Beijing) is an indirect wholly-owned subsidiary of the Company.
- 4) Pursuant to the House Sales Contract (Contract No. 20210712FQ0003) and 8 supplementary agreements on transfer of property right of car parking spaces (hereinafter collectively referred to as the “Transaction Contracts”) all dated 12 July 2021 together with two supplementary agreements to the Transaction Contracts dated 29 September 2021 and 19 October 2021 entered into between Evergo Investment Counsel (Beijing) and 楊濤 (Yang Tao), the property has been agreed to be transferred to Yang Tao at a consideration of RMB195,000,000. It is agreed by both parties that the ownership transfer registration procedures are to be made on or before 30 November 2021.
- 5) The opinion of the PRC Legal Advisor is summarized as follows:
- Evergo Investment Counsel (Beijing) is a company duly formed and validly existing under the laws of the PRC.
 - Evergo Investment Counsel (Beijing) is in possession of the proper legal title to the property and is entitled to dispose of, mortgage or lease the property in accordance with the laws, subject to Note 4 above.
 - The property, as confirmed by the Company, is not involved in any mortgage, ownership dispute or judicial freezing.
- 6) The status of the title and grant of major approvals and licence in accordance with the information provided by the Group and the opinion of the PRC Legal Advisor:

Certificate of Real Estate Ownership	Obtained
Business Licence	Obtained

APPENDIX IIA PROPERTY VALUATION REPORT BY B.I. APPRAISALS LIMITED

Group VI – Property held and occupied by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2021
24.	L2 – 203, Block No. 1, House No. 48 Liangmaqiao Road, Chaoyang District, Beijing, the PRC (中國北京市朝陽區 亮馬橋路48號院1號 樓2層203)	<p>The subject building, known as Four Seasons Private Apartments, is a 22-storey residential building, and was completed in about 2010.</p> <p>The property is situated on Level 2. The gross floor area of the property is approximately 312.31 sq.m. (3,362 sq.ft.).</p> <p>The land use rights of the property have been granted for terms of 70 years for residential use commencing from 2 March 1999.</p>	<p>The property is currently vacant.</p>	<p>HK\$36,108,000</p> <p>(100% interest attributable to the Group: HK\$36,108,000)</p>

Notes:

- 1) Pursuant to the Building Ownership Certificate (房屋所有權證) X Jing Fang Quan Zheng Chao Zi No. 1363935 (X京房權證朝字第1363935號) issued by Beijing Chaoyang District Housing Administration Bureau (北京市朝陽區房屋管理局) on 13 May 2014, the ownership of the property, is vested in Evergo (Beijing) Corporate Management Co., Ltd. (愛美高(北京)企業管理有限公司, referred to as “Evergo (Beijing) Corporate Management”).
- 2) We have been advised that Evergo (Beijing) Corporate Management is an indirect wholly-owned subsidiary of the Company.
- 3) The opinion of the PRC Legal Advisor is summarized as follows:
 - a) Evergo (Beijing) Corporate Management is a company duly formed and validly existing under the laws of the PRC.
 - b) Evergo (Beijing) Corporate Management is in possession of the proper legal title to the property and is entitled to dispose of, mortgage or lease the property in accordance with the laws.
 - c) The property, as confirmed by the Company, is not involved in any mortgage, ownership dispute or judicial freezing.
- 4) The status of the title and grant of major approvals and licence in accordance with the information provided by the Group and the opinion of the PRC Legal Advisor:

Building Ownership Certificate	Obtained
Business Licence	Obtained

APPENDIX IIA PROPERTY VALUATION REPORT BY B.I. APPRAISALS LIMITED

Group VII – Property held and operated by associate of the Company in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2021
25. Hilton Beijing, No. 1 Dongfang Road, North Dongsanhuan Road, Chaoyang District, Beijing, the PRC (中國北京市朝陽區東三環北路東方路1號北京希爾頓酒店)	<p>The property is a hotel complex built on a site with a site area of approximately 11,270.00 sq.m. (121,310 sq.ft.) located off the eastern side of North Dongsanhuan Road and bounded by Dongfang Road on the south within Chaoyang District of Beijing.</p> <p>The hotel, completed in about 1995 with modification works carried out in about 2008 comprises two buildings of 9 and 25 storeys plus 2 basement levels. It accommodates a total of 506 guestrooms with various food and beverage outlets, ancillary facilities, car parking spaces and back-of-house facilities.</p> <p>The total gross floor area of approximately 59,144.61 sq.m. (636,633 sq.ft.), excluding the floor area for civil air defense of 2,291.19 sq.m. (24,662 sq.ft.).</p> <p>The land use rights of the property have been granted by way of administrative appropriation for a term from 1 July 1996 to 30 September 2023.</p>	The property is operated and managed as a hotel.	<p>HK\$52,958,400 (see Note 7 below)</p> <p>(50% interest attributable to the Group: HK\$26,479,200)</p>

Notes:

- Pursuant to the Certificate of State-owned Land Use (國有土地使用證) Shi Chao Zhong Wai Guo Yong (98) Zi No. 00458 (市朝中外國用(98)字第00458號) issued by Beijing Municipal Building and Land Administrative Bureau (北京市房屋土地管理局, referred to as the “Bureau”) on 15 September 1998, the land use rights of the land on which the property is erected (referred to as the “Land”), having a site area of 11,270.0 sq.m., have been granted by way of administrative appropriation to Oriental Arts Building Co., Ltd. (referred to as “OAB”) for a term commencing from 1 July 1996 to 30 September 2023 for hotel use.
- Pursuant to two sets of Building Ownership Certificate (房屋所有權證) both registered in Beijing Municipal Housing and Urban-Rural Development Commission (北京市住房和城鄉建設委員會) on 16 November 2012, the building ownership of the property, comprising a total gross floor area of 59,144.61 sq.m. is vested in OAB. Details of the said certificates are as follows:

Block	No. of Storey	Certificate No.	Gross Floor Area (sq.m.)
No. 1	25 (+ 2 basements)	X Jing Fang Quan Zheng Chao Zi No. 1181169 (X京房權證朝字第1181169號)	39,828.88
No. 2	9 (+ 2 basements)	X Jing Fang Quan Zheng Chao Zi No. 1181170 (X京房權證朝字第1181170號)	19,315.73
- As confirmed by the Group, the Group holds 50% interest in the property through OAB, a 50%-owned associate of the Company.
- Pursuant to the Management Agreement dated 24 January 2013 entered into between Oriental Arts Building Co., Ltd. and Hilton Hotel Management (Shanghai) Co., Ltd., the operation of the subject hotel is managed by Hilton Hotel Management (Shanghai) Co., Ltd. for a term commenced on 11 September 2013 and expire on 10 September 2023.

APPENDIX IIA PROPERTY VALUATION REPORT BY B.I. APPRAISALS LIMITED

- 5) We have been advised by the Group that the application for extending the term of land use rights of the property has been made in May 2021.
- 6) The opinion of the PRC Legal Advisor is summarized as follows:
- a) OAB is a company duly formed and validly existing under the laws of the PRC.
 - b) OAB is in possession of the proper legal title to the land use rights and the building ownership of the property. Yet the term of the land use rights is to expire on 30 September 2023.
 - c) The Land may not be used as allocated land for hotel/theatre purposes after the expiration of the land use term. If OAB wishes to continue to use the Land after the expiration, it is required to obtain the approval of the competent authority to convert the land use rights status from administrative appropriation into that of by way of grant before it can be renewed.
 - d) Since the land use rights of the Land is obtained by way of administrative appropriation, OAB may transfer the property after obtaining approval from the local government, signing the contract for the grant of land use rights and settling the land premium/offset the land premium by the sale proceeds.
 - e) The Management Agreement is legally binding and effective.
 - f) The property, as confirmed by the Company, is not involved in any mortgage, ownership dispute or judicial freezing.
- 7) We have relied on the aforesaid legal opinion and prepared our valuation on the following assumptions:
- a) OAB is in possession of a proper legal title to the land use rights and the building ownership of the property;
 - b) OAB is entitle to transfer the property in accordance with the relevant rules and regulations; and
 - c) The term of land use rights will expire on 30 September 2023.
- 8) The status of the title and grant of major approvals and licence in accordance with the information provided by the Group and the opinion of the PRC Legal Advisor:

Certificate of State-owned Land Use	Obtained
Building Ownership Certificate	Obtained
Management Agreement	Signed
Business Licence	Obtained

The following is the text of a letter, summary of values and property valuation report prepared for the purpose of incorporation in this Scheme Document received from Peak Vision Appraisals Limited, an independent property valuer, in connection with its opinion of market value of the UK properties owned by the Group as at 30 September 2021.



24 November 2021

The Board of Directors
Chinese Estates Holdings Limited
21st Floor, Chubb Tower
Windsor House
311 Gloucester Road
Causeway Bay
Hong Kong

Dear Sirs,

In accordance with the instruction from Chinese Estates Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for us to value the properties located in the United Kingdom (the “**UK**”) (as more particularly described in the attached Summary of Values), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for providing you with our opinion of value of such properties as at 30 September 2021 (the “**Valuation Date**”).

It is our understanding that this valuation report is to be used for the purpose of the proposed privatization of the Group by Solar Bright Ltd. by way of a scheme agreement and the valuation report will be published in the Scheme Document in the relation thereto.

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

BASIS OF VALUATION

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

Our valuation has been carried out in accordance with the requirements set out in Rule 11 of the Hong Kong Code on Takeovers and Mergers published by the Securities and Futures Commission, Chapter 5 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the RICS Valuation – Global Standards issued November 2019 (Effective from 31 January 2020) published by the Royal Institution of Chartered Surveyors including International Valuation Standards (Effective 31 January 2020) published by the International Valuation Standards Council, and the HKIS Valuation Standards 2020 Edition published by The Hong Kong Institute of Surveyors and under generally accepted procedures and practices.

VALUATION METHODOLOGIES

In valuing the properties which are held for investment, we have adopted the Investment Method by taking into account the current rents passing and the reversionary income potential of the tenancies or, wherever appropriate, considered the Direct Comparison Method assuming the properties are capable of being sold in their existing states and by making reference to comparable sales evidence as available in the relevant markets.

We have valued the properties on the basis that each of them is considered individually. We have not allowed for any discount for the properties to be sold to a single party nor taken into account any effect on the value if the properties are to be offered for sale at the same time as a portfolio.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the properties on the open market in their existing states without the benefit of deferred terms contracts, leasebacks, joint ventures, management agreements or any similar arrangements which could serve to affect the values of the properties. No forced sale situation in any manner is assumed in our valuation. In addition, we have not considered any option or right of pre-emption, which would concern or affect sales of the properties.

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

TITLE INVESTIGATION

We have caused title searches to be made at the relevant Land Registry in respect of the properties. However, we have not searched the original documents to verify the ownership or to ascertain the existence of any amendments.

SITE INSPECTION

The properties were inspected on 13 October 2021 by Mr. Michael Whittaker MARLA, ANAEA a consultant of our company who has over 10 years of experience in the inspection of UK properties. We have inspected the exterior and, where possible, the interior of the properties. In the course of our inspections, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report whether the properties are free from rot, infestation or any other defects. No tests were carried out on any of the services.

LIMITING CONDITIONS

We have not carried out on-site measurements to verify the correctness of the site and floor areas of the properties but have assumed that the site and floor areas shown on the documents and floor plans available to us are correct. Dimensions, measurements and areas included in the attached property valuation report are based on information contained in the documents provided to us and are, therefore, only approximations.

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

SOURCE OF INFORMATION

We have relied to a considerable extent on the information provided by the Group and have accepted advice on such matters as planning approvals, statutory notices, easements, tenures, particulars of occupancy, site and floor areas, interest attributable to the Group and all other relevant materials regarding the properties.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also been advised by the Group that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld. The management of the Group has reviewed and confirmed the factual content and has agreed to the assumptions and limiting conditions of this report.

POTENTIAL TAX LIABILITIES

According to the information provided by the Group, the potential tax liabilities which would arise on the disposal of the UK properties comprise Corporation Tax 19% on gain, Value Added Tax 20% and Stamp Duty 2% to 15% on the transaction amount. The likelihood of the relevant tax liabilities being crystallized is remote as the Group has no plans for sale of such properties.

MARKET VOLATILITY

Our valuation has been prepared based on economic, market and other conditions as they existed on, and information made available to us as of the Valuation Date only. It has come to our attention that the outbreak of Coronavirus Disease (COVID-19) has caused significant disruption to economic activities around the world. It is uncertain how long the disruption will last and to what extent it will affect the economy and it may cause volatility and uncertainty that the input parameters and assumptions adopted in our valuation may change significantly and unexpectedly over short period of time. It should therefore be noted that any market volatility, policy, geopolitical and social changes or other circumstances after the Valuation Date may affect the values of the properties after the Valuation Date.

CURRENCY

Unless otherwise stated, all monetary amounts stated in this report are in Pound Sterling (£). The exchange rate adopted in our valuation is approximately £1 = HK\$10.4684, which was approximate the prevailing exchange rate as at the Valuation Date.

CONFIRMATION OF INDEPENDENCE

Peak Vision Appraisals Limited has previously been involved in the valuation of the properties and Mr. Nick C. L. Kung has been the signatory to the valuation since 2011. The proportion of total fees payable by the Group during the preceding year relative to the total fee income of Peak Vision Appraisals Limited is minimal. For the subject valuation, Peak Vision Appraisals Limited does not yet adopt a rotation policy, and instead, our valuation will be periodically reviewed by another member of the Hong Kong Institute of Surveyors.

We hereby confirm that we have no material connection or involvement with the Group, the properties, or the values reported herein and that we are in a position to provide an objective and unbiased valuation.

Our Summary of Values and property valuation report are enclosed herewith.

Yours faithfully,

For and on behalf of

Peak Vision Appraisals Limited

Nick C. L. Kung *MRICS, MHKIS, RPS (G.P.), RICS Registered Valuer, MCIREA*
Director

Note: Mr. Nick C. L. Kung is a RICS Registered Valuer and a Registered Professional Surveyor who has over 20 years' experience in the valuation of properties in Hong Kong and overseas

Summary of Values

Property	Capital Value in existing state as at 30 September 2021	Interest attributable to the Group in percentage	Capital Value in existing state attributable to the Group as at 30 September 2021
Properties held for investment by the Group in UK			
1. River Court, 116-129 Fleet Street, London, EC4, United Kingdom	£312,000,000	100%	£312,000,000
2. 61-67 (odd) Oxford Street and 11-14 Soho Street, London, W1, United Kingdom	£131,800,000	100%	£131,800,000
3. 14 St George Street London, W1, United Kingdom	£113,900,000	100%	£113,900,000
4. 11 and 12 St James's Square and 14 to 17 Ormond Yard London, SW1Y 4LB, United Kingdom	£163,900,000	100%	£163,900,000
GRAND TOTAL:	<u>£721,600,000</u>		<u>£721,600,000</u>

PROPERTY VALUATION REPORT

			Capital Value in existing state as at 30 September 2021																																																																																																																	
Property	Description and tenure	Particulars of occupancy																																																																																																																		
1. River Court, 116-129 Fleet Street, London, EC4, United Kingdom	<p>The property comprises an office development erected on an island site of approximately 0.579 hectares bounded by Fleet Street to the south, Shoe Lane to the west, St Bride Street to the north and Poppin's Court to the east.</p> <p>The main principal building was constructed in 2000 and as part of the redevelopment, the original Daily Express Newspapers office was retained as Grade II* listed. In total, the property has a total net internal area of 39,946.4 sq.m. (429,980 sq.ft.) of Grade B office, retail, storage and ancillary accommodation, together with 48 car parking spaces as independently measured in accordance with of the RICS Code of Measuring Practice (6th Edition). Details of the area breakdown and respective uses are listed as follows:</p>	<p>As at the Valuation Date, with the exception of the retail unit let to Boots UK Limited and the basement transformer chamber let to London Electricity plc, the majority portion of the property was vacant.</p> <p>For the retail unit let to Boots UK Limited, the lease is for a term of 10 years from 10 February 2017 and subject to a rent review as at 10 February 2022. As of the Valuation Date, the rent was £460,000 per annum.</p> <p>For the basement transformer chamber let to London Electricity plc, the lease is for a term of 99 years from 1 October 1999 at a rent of 5 pence per annum.</p>		<p>£312,000,000</p> <p>100% interest attributable to the Group: £312,000,000</p>																																																																																																																
	<table><tr><th>Floor</th><th>Use</th><th colspan="2">Net Internal Area</th></tr><tr><td></td><td></td><th>sq.m.</th><th>sq.ft.</th></tr><tr><td colspan="4"><u>Office</u></td></tr><tr><td>7/F</td><td>Office</td><td>2,132.2</td><td>22,951</td></tr><tr><td>6/F</td><td>Office</td><td>2,654.3</td><td>28,571</td></tr><tr><td>5/F</td><td>Office</td><td>3,132.3</td><td>33,716</td></tr><tr><td>4/F</td><td>Office</td><td>3,720.4</td><td>40,046</td></tr><tr><td>3/F</td><td>Office</td><td>3,907.1</td><td>42,055</td></tr><tr><td></td><td>Atrium</td><td>255.2</td><td>2,747</td></tr><tr><td>Mezzanine (M2)</td><td>Office</td><td>383.8</td><td>4,131</td></tr><tr><td>2/F</td><td>Office</td><td>4,431.5</td><td>47,700</td></tr><tr><td>1/F</td><td>Office</td><td>4,430.4</td><td>47,689</td></tr><tr><td>Mezzanine (M1)</td><td>Office</td><td>4,449.1</td><td>47,889</td></tr><tr><td>Upper ground</td><td>Office</td><td>3,563.3</td><td>38,355</td></tr><tr><td></td><td>Stores</td><td>24.4</td><td>263</td></tr><tr><td>Ground</td><td>Office</td><td>1,028.3</td><td>11,069</td></tr><tr><td></td><td>Reception</td><td>1,176.4</td><td>12,663</td></tr><tr><td></td><td>Stores</td><td>41.9</td><td>451</td></tr><tr><td>Lower ground</td><td>Office</td><td>2,908.6</td><td>31,308</td></tr><tr><td></td><td>Atrium</td><td>217.2</td><td>2,338</td></tr><tr><td></td><td>Stores</td><td>180.0</td><td>1,937</td></tr><tr><td>Basement</td><td>Stores</td><td>352.5</td><td>3,795</td></tr><tr><td colspan="2">Sub-total:</td><td>38,988.9</td><td>419,674</td></tr><tr><td colspan="4"><u>Retail</u></td></tr><tr><td>Ground</td><td>Retail</td><td>516.2</td><td>5,556</td></tr><tr><td>Lower ground</td><td>Retail</td><td>441.3</td><td>4,750</td></tr><tr><td colspan="2">Sub-total:</td><td>957.5</td><td>10,306</td></tr><tr><td colspan="2">TOTAL:</td><td>39,946.4</td><td>429,980</td></tr></table>	Floor	Use	Net Internal Area				sq.m.	sq.ft.	<u>Office</u>				7/F	Office	2,132.2	22,951	6/F	Office	2,654.3	28,571	5/F	Office	3,132.3	33,716	4/F	Office	3,720.4	40,046	3/F	Office	3,907.1	42,055		Atrium	255.2	2,747	Mezzanine (M2)	Office	383.8	4,131	2/F	Office	4,431.5	47,700	1/F	Office	4,430.4	47,689	Mezzanine (M1)	Office	4,449.1	47,889	Upper ground	Office	3,563.3	38,355		Stores	24.4	263	Ground	Office	1,028.3	11,069		Reception	1,176.4	12,663		Stores	41.9	451	Lower ground	Office	2,908.6	31,308		Atrium	217.2	2,338		Stores	180.0	1,937	Basement	Stores	352.5	3,795	Sub-total:		38,988.9	419,674	<u>Retail</u>				Ground	Retail	516.2	5,556	Lower ground	Retail	441.3	4,750	Sub-total:		957.5	10,306	TOTAL:		39,946.4	429,980			
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The property is registered with title absolute and comprises one freehold estate.

Notes:

- i) The property is held freehold under title number NGL729721. The current registered owner of the property is River Court Properties Limited (incorporated in the Isle of Man), an indirect wholly-owned subsidiary of the Company.
- ii) According to the land registry search conducted on 8 October 2021, the property was subject to the following encumbrances:
 - a) Unilateral Notice affecting the retail unit of the property in respect of a pending land action pursuant to s 24 Landlord and Tenant Act 1954 in the Mayor's and City of London Court (Court ref. C00MY226). For more details of the retail unit of the property, please see "Particulars of occupancy" above;
 - b) Registered Charge dated 18 October 2016 in favour of Oversea-Chinese Banking Corporation Limited (incorporated in Singapore) of The Rex Building, 3rd Floor, 62 Queen Street, London EC4R 1EB; and
 - c) A deed dated 13 April 2021 made between (1) River Court Properties Limited and (2) Boots UK Limited the terms of the lease dated 10 February 2017 of 120 Fleet Street (ground floor and basement) referred to in the schedule of leases hereto were varied.
- iii) The property is located within the Fleet Street Conservation Area with the original Daily Express Newspapers office retained as Grade II* listed.
- iv) In our valuation, we have adopted an average market rent of about £41.70 per sq.ft./annum for office portion and about £37.20 per sq.ft./annum for retail portion. The reversionary yield of about 5.00% for office portion and about 5.75% for retail portion.

We have made reference to annual rental transaction of office and retail in the vicinity which have characteristics comparables to the property. The market rental comparables are about £41.25 to £50.79 per sq.ft./annum for office portion and about £32.55 to £40.83 per sq.ft./annum for retail portion. The unit rates adopted by us are consistent with the said rental transaction references after due adjustments. Due adjustments to those rental transaction comparables have been made to reflect factors including but not limited to floor, layout, time, size and location in arriving at our opinion of value.

- v) As advised by the Company, a planning application has been made by the Company on 21 June 2021 which is under consideration by the City of London regarding demolition of the existing River Court building at 120 Fleet Street, including part demolition of the basement and the erection of a new building comprising two basement levels and ground floor plus 20 upper storeys including retail, commercial, office and service use. Creation of new pedestrian routes. Change of use of Daily Express Building from office to learning and non-residential institutions use, retail, flexible learning and non-residential institutions and commercial use, and alterations to and refurbishment of the existing Grade II* listed Daily Express Building at 120 Fleet Street (The proposal would provide 61,135 sq.m. Gross Internal Area of offices, 2,051 sq.m. Gross Internal Area of flexible retail use, 2,748 sq.m. Gross Internal Area of Sui Generis public roof terrace, 1,331 sq.m. Gross Internal Area of learning and non-residential institution, 2,776 sq.m. Gross Internal Area of flexible and non-residential institutions/commercial business and service; Total floorspace 78,456 sq.m. Gross Internal Area. Overall height 93.15m Above Ordinance Datum). Up to the date of this report, the planning approval has not been granted.

Assuming that the planning permission of the above proposal has been granted, the capital value as if completed (i.e. the gross development value) as at the Valuation Date was in the sum of £817,700,000 based on the following assumptions:

- a) Immediate vacant possession of the property would be available.
- b) The general building plans for the proposed redevelopment of the property would have been approved.
- c) The property will be developed in accordance with the above proposal with total floor space of 78,456 sq.m. Gross Internal Area.
- d) The total cost of development (excluding interest and land cost) for the proposed redevelopment would be approximately £507,400,000.
- e) Completion of the proposed redevelopment of the property would be 31 December 2025.

Property Valuation Report

Property		Description and tenure	Particulars of occupancy	Capital Value in existing state as at 30 September 2021																																																											
2.	61-67 (odd) Oxford Street and 11-14 Soho Street, London, W1, United Kingdom	<p>The property comprises a mixed use retail, office and residential development erected on a corner site of approximately 0.248 acres (0.100 hectares) located on the southern side of Oxford Street and the western side of Soho Street in London’s West End in the City of Westminster.</p> <p>Practical completion of the property was achieved in July 2015. The property is not Listed but falls within the Soho Conservation Area. The property comprises plant at basement level, retail accommodation on lower ground, to 2/F levels, offices at 3/F and 4/F levels, and 6 residential flats at 5/F and 6/F levels with a total net internal area of approximately 5,123.7 sq.m. (55,151 sq.ft.). As advised, the net internal floor area is measured in accordance with the RICS Code of Measuring Practice (6th Edition). Details of the area breakdown and the respective uses are listed as follows:</p> <table><tr><th>Floor</th><th>Use</th><th colspan="2">Net Internal Area</th></tr><tr><td></td><td></td><td>sq.m.</td><td>sq.ft.</td></tr><tr><td>5/F and 6/F (Flat 2)</td><td>Residential</td><td>133.2</td><td>1,434</td></tr><tr><td>5/F and 6/F (Flat 3)</td><td>Residential</td><td>147.4</td><td>1,587</td></tr><tr><td>5/F and 6/F (Flat 4)</td><td>Residential</td><td>123.5</td><td>1,329</td></tr><tr><td>5/F and 6/F (Flat 5)</td><td>Residential</td><td>176.7</td><td>1,902</td></tr><tr><td>5/F (Flat 1)</td><td>Residential</td><td>62.8</td><td>676</td></tr><tr><td>5/F (Flat 6)</td><td>Residential</td><td>63.7</td><td>686</td></tr><tr><td>4/F</td><td>Office</td><td>570.9</td><td>6,145</td></tr><tr><td>3/F</td><td>Office</td><td>701.3</td><td>7,549</td></tr><tr><td>2/F</td><td>Retail**</td><td>755.2</td><td>8,129</td></tr><tr><td>1/F</td><td>Retail**</td><td>738.3</td><td>7,947</td></tr><tr><td>Ground</td><td>Retail**</td><td>803.1</td><td>8,644</td></tr><tr><td>Lower ground</td><td>Retail**</td><td>847.6</td><td>9,123</td></tr><tr><td colspan="2">Total</td><td>5,123.7</td><td>55,151</td></tr></table>	Floor	Use	Net Internal Area				sq.m.	sq.ft.	5/F and 6/F (Flat 2)	Residential	133.2	1,434	5/F and 6/F (Flat 3)	Residential	147.4	1,587	5/F and 6/F (Flat 4)	Residential	123.5	1,329	5/F and 6/F (Flat 5)	Residential	176.7	1,902	5/F (Flat 1)	Residential	62.8	676	5/F (Flat 6)	Residential	63.7	686	4/F	Office	570.9	6,145	3/F	Office	701.3	7,549	2/F	Retail**	755.2	8,129	1/F	Retail**	738.3	7,947	Ground	Retail**	803.1	8,644	Lower ground	Retail**	847.6	9,123	Total		5,123.7	55,151	<p>As at the Valuation Date, with the exception of the whole of 4/F designated as office which was vacant, the property was subject to various tenancies yielding an annual rental of £4,193,130 with the latest tenancy expiring on 28 April 2035.</p> <p>£131,800,000</p> <p>100% interest attributable to the Group: £131,800,000</p>
Floor	Use	Net Internal Area																																																													
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In addition, the 3/F has a terrace measuring 21.5 sq.m. (231 sq.ft.) and the 4/F has a terrace measuring 93.4 sq.m. (1,005 sq.ft.).

** The Retail elements are trading as "Zara"

The property is registered with title absolute and comprises one freehold estate.

Notes:

- i) The property is held freehold under title number NGL723868. The current registered owner of the property is Express Right Limited (incorporated in the British Virgin Islands), an indirect wholly-owned subsidiary of the Company.
- ii) According to the land registry search conducted on 8 October 2021, the property was subject to a Registered Charge dated 20 May 2016 in favour of The Bank of East Asia, Limited, London Branch (incorporated in Hong Kong) of 75 Shaftesbury Avenue, London W1D 5BB.
- iii) The property is not Listed but located within the Soho Conservation Area.
- iv) In our valuation, we have adopted an average market rent of about £52.45 per sq.ft./annum for residential portion, about £78.65 per sq.ft./annum for office portion and about £106.67 per sq.ft./annum for retail portion. The reversionary yield of about 2.75% for residential portion, about 4.75% for office portion and about 3.75% for retail portion.

We have made reference to annual rental transaction of residential, office and retail in the vicinity which have characteristics comparables to the property. The market rental comparables are about £45.43 to £62.44 per sq.ft./annum for residential portion, about £69.49 to £98.96 per sq.ft./annum for office portion and about £60.05 to £499.42 per sq.ft./annum for retail portion. The unit rates adopted by us are consistent with the said rental transaction references after due adjustments. Due adjustments to those rental transaction comparables have been made to reflect factors including but not limited to floor, layout, time, size and location in arriving at our opinion of value.

Property Valuation Report

			Capital Value in existing state as at 30 September 2021																																													
Property	Description and tenure	Particulars of occupancy																																														
3. 14 St George Street London, W1, United Kingdom	<p>The property comprises an office development erected on a corner site of approximately 0.303 acres (0.122 hectares) located on the western side of St George Street at its junction with Maddox Street within Mayfair in London’s West End.</p> <p>The property was subject to a major redevelopment completed in 2009. The property is Grade II listed and is located within the Mayfair Conservation Area which provides a total net internal area of approximately 4,818.1 sq.m. (51,861 sq.ft.) of Grade A office accommodation with basement and five upper floors, accessed from St George Street. As advised, the net internal area is measured in accordance with the RICS Code of Measuring Practice (6th Edition). Details of the area breakdown and respective uses are listed as follows:</p>	As at the Valuation Date, with the exception of the basement floor which was vacant, the property was let to three tenants on 5 leases, with the latest expiring on 14 May 2030 at an annual rental of £4,461,100. With the exception of the basement floor and 2/F, the remaining floors were subject to rent reviews on 15 May 2025.		£113,900,000 100% interest attributable to the Group: £113,900,000																																												
	<table><tr><th>Floor</th><th>Use</th><th colspan="2">Net Internal Area</th></tr><tr><td></td><td></td><th>sq.m.</th><th>sq.ft.</th></tr><tr><td>4/F</td><td>Office</td><td>762.6</td><td>8,209</td></tr><tr><td>3/F</td><td>Office</td><td>873.5</td><td>9,402</td></tr><tr><td>2/F</td><td>Office</td><td>864.1</td><td>9,301</td></tr><tr><td>1/F</td><td>Office</td><td>864.1</td><td>9,301</td></tr><tr><td>Ground</td><td>Office</td><td>725.2</td><td>7,806</td></tr><tr><td>Ground</td><td>Reception</td><td>89.4</td><td>962</td></tr><tr><td>Basement</td><td>Office</td><td>634.9</td><td>6,834</td></tr><tr><td>Basement</td><td>Storage</td><td>4.3</td><td>46</td></tr><tr><td colspan="2">Total</td><td>4,818.1</td><td>51,861</td></tr></table>	Floor	Use	Net Internal Area				sq.m.	sq.ft.	4/F	Office	762.6	8,209	3/F	Office	873.5	9,402	2/F	Office	864.1	9,301	1/F	Office	864.1	9,301	Ground	Office	725.2	7,806	Ground	Reception	89.4	962	Basement	Office	634.9	6,834	Basement	Storage	4.3	46	Total		4,818.1	51,861			
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Basement	Storage	4.3	46																																													
Total		4,818.1	51,861																																													

The property is registered with title absolute in respect of title number NGL960003 and registered with title possessory in respect of title numbers NGL952505 and NGL957943 and comprises three freehold estates.

Notes:

- i) The property is held freehold under 3 different title numbers NGL960003, NGL952505 and NGL957943. The current registered owner of the property is State Smart Limited (incorporated in the British Virgin Islands), an indirect wholly-owned subsidiary of the Company.
- ii) According to the land registry search conducted on 8 October 2021, the property was subject to a Registered Charge dated 15 July 2016 in favour of Deutsche Bank AG, Singapore Branch (incorporated in Germany) (UK Regn. No. FC007615) care of Deutsche Bank AG, Hong Kong Branch, 55th Floor, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.
- iii) Although we have conducted land registry search on 8 October 2021, it was mentioned in the land registry search of Title Number NGL960003 of the property that “This extract shows information current on 14 December 2020 at 12:20:42 and so does not take account of any application made after that time even if pending in HM Land Registry when this extract was issued”. We have made an enquiry about this, the reply from the official representative of HM Land Registry, Croydon Office explained to us since there is pending application against that particular title, the oldest of which was submitted on 14 December 2020. As a result any available details will show the registered information as of that date and make no account for the pending application.
- iv) The property is Grade II listed and is located within the Mayfair Conservation Area.
- v) In our valuation, we have adopted an average market rent of approximately £97.36 per sq.ft./annum of the property. The reversionary yield of the property is about 4.25%.

We have made reference to annual rental transaction comparables in the vicinity. The market rental comparables are about £69.19 to £105.30 per sq.ft./annum. The unit rate adopted by us is consistent with the said rental transaction references after due adjustments. Due adjustments to those rental transaction comparables have been made to reflect factors including but not limited to floor, layout, time, size and location in arriving at our opinion of value.

Property Valuation Report

Property	Description and tenure	Particulars of occupancy	Capital Value in existing state as at 30 September 2021																																																												
4. 11 and 12 St James's Square and 14 to 17 Ormond Yard, London, SW1Y 4LB, United Kingdom	<p>The property comprises of two period buildings dating from 1730 (11 St James's Square) and 1830 (12 St James's Square) erected on a slightly sloping and rectangular site of approximately 0.531 acres (2,148.78 sq.m.) located on the northwestern side of St James's Square, close to its junction with the southwestern side of Duke of York Street, and lies within the St James's office sub-market in London's West End.</p> <p>The property was substantially refurbished and redeveloped to the rear in 2007 to provide modern, Grade A office accommodation. As advised, the total net internal area of the property as measured in accordance with the RICS Code of Measuring Practice (6th Edition) is approximately 7,652.6 sq.m. (82,374 sq.ft.) over basement, ground and 6 upper floors. To the rear of the property, there are 6 residential apartments, with access from Ormond Yard and have been sold off in long leases. Details of the areas breakdown of the property and respective uses are listed as follows:</p> <table> <tr> <th>Floor</th><th>Use</th><th colspan="2">Net Internal Area</th></tr> <tr> <td></td><td></td><td><i>sq.m.</i></td><td><i>sq.ft.</i></td></tr> <tr> <td>6/F</td><td>Office</td><td>677.2</td><td>7,289</td></tr> <tr> <td>5/F</td><td>Office</td><td>1,045.9</td><td>11,259</td></tr> <tr> <td>4/F</td><td>Office</td><td>1,102.1</td><td>11,863</td></tr> <tr> <td>3/F</td><td>Office</td><td>988.7</td><td>10,642</td></tr> <tr> <td>2/F</td><td>Office</td><td>1,083.1</td><td>11,659</td></tr> <tr> <td>1/F</td><td>Office</td><td>835.1</td><td>8,989</td></tr> <tr> <td rowspan="4">Ground</td><td>Office</td><td>1,009.8</td><td>10,870</td></tr> <tr> <td>Storage</td><td>21.2</td><td>228</td></tr> <tr> <td>Reception</td><td>73.8</td><td>794</td></tr> <tr> <td>Atrium</td><td>82.2</td><td>885</td></tr> <tr> <td></td><td>Base</td><td></td><td></td></tr> <tr> <td rowspan="2">Basement</td><td>Office</td><td>642.2</td><td>6,913</td></tr> <tr> <td>Storage</td><td>91.3</td><td>983</td></tr> <tr> <td colspan="2">Total</td><td>7,652.6</td><td>82,374</td></tr> </table>	Floor	Use	Net Internal Area				<i>sq.m.</i>	<i>sq.ft.</i>	6/F	Office	677.2	7,289	5/F	Office	1,045.9	11,259	4/F	Office	1,102.1	11,863	3/F	Office	988.7	10,642	2/F	Office	1,083.1	11,659	1/F	Office	835.1	8,989	Ground	Office	1,009.8	10,870	Storage	21.2	228	Reception	73.8	794	Atrium	82.2	885		Base			Basement	Office	642.2	6,913	Storage	91.3	983	Total		7,652.6	82,374	<p>As at the Valuation Date, with the exception of portions of the basement and the ground floor of the property having a total net internal area of approximately 6,518 sq.ft. which were vacant, the property was multi-tenanted on effective full repairing and insuring terms at an annual rental of £7,361,445 with the latest tenancy expiring on 20 December 2028.</p>	<p>£163,900,000</p> <p>100% interest attributable to the Group: £163,900,000</p>
Floor	Use	Net Internal Area																																																													
		<i>sq.m.</i>	<i>sq.ft.</i>																																																												
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Basement	Office	642.2	6,913																																																												
	Storage	91.3	983																																																												
Total		7,652.6	82,374																																																												

The property is registered with title absolute in respect of Title Number LN248459 and comprises one freehold estate.

Notes:

- i) The property is held freehold under the title number LN248459. The current registered owner of the property is Knightlights Property International S.A. (incorporated in Luxembourg) of 14, rue Edward Steichen, L-2540, Luxembourg, Grand Duchy of Luxembourg and care of Mayer Brown International LLP (ref: Chris Harvey), 201 Bishopsgate, London EC2M 3AF and care of Chinese Estates Group, 21/F., Chubb Tower, Windsor House, 311 Gloucester Road, Causeway Bay, Hong Kong, an indirect wholly-owned subsidiary of the Company.
- ii) According to the land registry search conducted on 8 October 2021, the property was subject to a Registered Charge dated 13 June 2017 in favour of Oversea-Chinese Banking Corporation Limited (incorporated in Singapore) of The Rex Building, 3rd Floor, 62 Queen Street, London, EC4R 1EB.
- iii) Although we have conducted land registry search on 8 October 2021, it was mentioned in the land registry search of Title Number LN248459 of the property that “This extract shows information current on 4 August 2021 at 12:06:14 and so does not take account of any application made after that time even if pending in HM Land Registry when this extract was issued”. We have made an enquiry about this, the reply from the official representative of HM Land Registry, Croydon Office explained to us since there is pending application against that particular title, the oldest of which was submitted on 4 August 2021. As a result any available details will show the registered information as of that date and make no account for the pending application.
- iv) The property is located within the St James’s Conservation Area of which 11 St James’s Square is Grade II* listed and 12 St James’s Square is Grade II listed.
- v) In our valuation, we have adopted an average market rent of approximately £79.13 per sq.ft./annum of the property. The reversionary yield of the property is about 4.00%.

We have made reference to annual rental transaction comparables in the vicinity. The market rental comparables are about £69.19 to £125.51 per sq.ft./annum. The unit rate adopted by us is consistent with the said rental transaction references after due adjustments. Due adjustments to those rental transaction comparables have been made to reflect factors including but not limited to floor, layout, time, size and location in arriving at our opinion of value.



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

24 November 2021

The Board of Directors
Chinese Estates Holdings Limited
21st Floor, Chubb Tower, Windsor House
311 Gloucester Road
Causeway Bay, Hong Kong

Dear Sir/Madam,

Reference is made to the scheme document dated 24 November 2021 (the “**Scheme Document**”) jointly issued by the Company and the Offeror. Capitalised terms used in this letter shall have the same respective meanings as defined in the Scheme Document unless the context otherwise required.

We refer to the Expected Realised Loss from China Evergrande Group Disposal and the Expected Aggregated Realised Loss from China Evergrande Group Disposal disclosed by the Company under the Scheme Document. The Expected Realised Loss from China Evergrande Group Disposal and the Expected Aggregated Realised Loss from China Evergrande Group Disposal constitute profit forecast under Rule 10 of the Takeovers Code and must be reported on by the financial adviser and the auditors or consultant accountants. This report is issued in compliance with the requirements under Rule 10.4 and Note 1(c) to Rules 10.1 and 10.2 of the Takeovers Code.

We have reviewed the Expected Realised Loss from China Evergrande Group Disposal and the Expected Aggregated Realised Loss from China Evergrande Group Disposal and their underlying basis and assumption which were provided by you and you as the Directors are solely responsible for. We also discussed the above with you and the senior management of the Company.

In respect of the accounting policies and calculations concerned, upon which the Expected Realised Loss from China Evergrande Group Disposal and the Expected Aggregated Realised Loss from China Evergrande Group Disposal have been made, we have considered the report as contained in Appendix IIIB-1 to the Scheme Document addressed to the Board from HLB Hodgson Impey Cheng Limited, being the auditors of the Company (“**HLB**”). HLB is of the opinion that so far as the accounting policies and calculations are concerned, the Expected Realised Loss from China Evergrande Group Disposal and the Expected Aggregated Realised Loss from China Evergrande Group Disposal have been properly compiled in accordance with the bases adopted by the Directors and are presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the published consolidated financial statements of the Group for the year ended 31 December 2020.

Having considered the above, we are of the opinion that the Expected Realised Loss from China Evergrande Group Disposal and the Expected Aggregated Realised Loss from China Evergrande Group Disposal have been made with due care and consideration.

We hereby give and have not withdrawn our consent to the issue of the Scheme Document with the inclusion therein of this report.

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

The following is reproduction of the letter from Gram Capital, dated 18 November 2021 prepared for inclusion in the circular of the Company dated 18 November 2021 for the profit forecast in relation to the Expected Realised Loss from Disposal of Kaisa Notes.



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

18 November 2021

The Board of Directors
Chinese Estates Holdings Limited
21st Floor, Chubb Tower, Windsor House
311 Gloucester Road
Causeway Bay, Hong Kong

Dear Sir/Madam,

Reference is made to the circular dated 18 November 2021 issued by the Company (the “**Circular**”). Capitalised terms used in this letter shall have the same respective meanings as defined in the Circular unless the context otherwise required.

We refer to the Expected Realised Loss from Disposal of Kaisa Notes disclosed by the Company under the Circular. The Expected Realised Loss from Disposal of Kaisa Notes constitutes profit forecast under Rule 10 of the Takeovers Code and must be reported on by the financial adviser and the auditors or consultant accountants. This report is issued in compliance with the requirements under Rule 10.4 and Note 1(c) to Rules 10.1 and 10.2 of the Takeovers Code.

We have reviewed the Expected Realised Loss from Disposal of Kaisa Notes and its underlying basis and assumption which were provided by you and you as the Directors are solely responsible for. We also discussed the above with you and the senior management of the Company.

In respect of the accounting policies and calculations concerned, upon which the Expected Realised Loss from Disposal of Kaisa Notes has been made, we have considered the report as contained in Appendix III to the Circular addressed to the Board from HLB, being the auditors of the Company. HLB is of the opinion that so far as the accounting policies and calculations are concerned, the Expected Realised Loss from Disposal of Kaisa Notes has been properly compiled in accordance with the bases adopted by the Directors and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the published consolidated financial statements of the Group for the year ended 31 December 2020.

Having considered the above, we are of the opinion that the Expected Realised Loss from Disposal of Kaisa Notes has been made with due care and consideration.

We hereby give and have not withdrawn our consent to the issue of the Circular with the inclusion therein of this report.

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



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

24 November 2021

The Board of Directors
Chinese Estates Holdings Limited
21st Floor, Chubb Tower, Windsor House
311 Gloucester Road
Causeway Bay, Hong Kong

Dear Sir/Madam,

Reference is made to the scheme document dated 24 November 2021 (the “**Scheme Document**”) jointly issued by the Company and the Offeror. Capitalised terms used in this letter shall have the same respective meanings as defined in the Scheme Document unless the context otherwise required.

We refer to the Expected Aggregated Loss from Fair Value Change on Financial Assets disclosed by the Company under the Scheme Document. The Expected Aggregated Loss from Fair Value Change on Financial Assets constitutes profit forecast under Rule 10 of the Takeovers Code and must be reported on by the financial adviser and the auditors or consultant accountants. This report is issued in compliance with the requirements under Rule 10.4 and Note 1(c) to Rules 10.1 and 10.2 of the Takeovers Code.

We have reviewed the Expected Aggregated Loss from Fair Value Change on Financial Assets and its underlying basis and assumption which were provided by you and you as the Directors are solely responsible for. We also discussed the above with you and the senior management of the Company.

In respect of the accounting policies and calculations concerned, upon which the Expected Aggregated Loss from Fair Value Change on Financial Assets in relation to fair value change on certain financial assets has been made, we have considered the report as contained in Appendix IIIB-3 to the Scheme Document addressed to the Board from HLB Hodgson Impey Cheng Limited, being the auditors of the Company (“**HLB**”). HLB is of the opinion that so far as the accounting policies and calculations are concerned, the Expected Aggregated Loss from Fair Value Change on Financial Assets has been properly compiled in accordance with the bases adopted by the Directors and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the published consolidated financial statements of the Group for the year ended 31 December 2020.

Having considered the above, we are of the opinion that the Expected Aggregated Loss from Fair Value Change on Financial Assets has been made with due care and consideration.

We hereby give and have not withdrawn our consent to the issue of the Scheme Document with the inclusion therein of this report.

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



國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

The Board of Directors

Chinese Estates Holdings Limited

21st Floor, Chubb Tower, Windsor House

311 Gloucester Road

Causeway Bay

Hong Kong

Dear Sirs,

Chinese Estates Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”)

Profit estimate in respect of expected realised loss and expected aggregated realised loss from disposal of shares of China Evergrande Group

We refer to the estimate of the expected realised loss from disposal(s) of shares of China Evergrande Group held by the Group (referred to as the “**Expected Realised Loss from China Evergrande Group Disposal**”) and the expected aggregated realised loss from disposal(s) of shares of China Evergrande Group held by the Group (referred to as the “**Expected Aggregated Realised Loss from China Evergrande Group Disposal**”) (the “**Profit Estimate**”). The Profit Estimate has been prepared to enable to directors of the Company to issue the following statement set forth in the paragraph headed “6. Relevant Financial Information” in the section headed “Financial Information of the Group” in Appendix I of the composite scheme document dated 24 November 2021 in connection with the proposed privatisation of Chinese Estates Holdings Limited by Solar Bright Ltd. (the “**Offeror**”) by way of a scheme of arrangement under Section 99 of the Companies Act 1981 of Bermuda, as amended (the “**Scheme Document**”):

“The expected realised loss to be recorded for the year ending 31 December 2021 as a result of the disposal of an aggregate of 546,787,000 China Evergrande Group Shares during 2021 and up to the Latest Practicable Date is approximately HK\$6,762 million.”; and

“The expected aggregated realised loss to be recorded for the year ending 31 December 2021 as a result of the disposal of 860,000,000 China Evergrande Group Shares (assuming all the Remaining China Evergrande Group Shares were to be disposed by the end of 2021 with reference to the closing price of China Evergrande Group Shares as at the Latest Practicable Date) would be approximately HK\$10,558 million.”

Directors' Responsibilities

The Profit Estimate has been prepared by the directors of the Company based on the unaudited financial information of the Group up to the Latest Practicable Date.

The Company's directors are solely responsible for the Profit Estimate.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Profit Estimate in accordance with the bases adopted by the directors and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the directors as set out on pages I-13 to I-14 of the Scheme Document and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the published consolidated financial statements of the Group for the year ended 31 December 2020.

Yours faithfully,

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Ng Ka Wah
Practising Certificate Number: P06417
Hong Kong, 24 November 2021

The following is reproduction of the letter from HLB Hodgson Impey Cheng Limited, dated 18 November 2021 prepared for inclusion in the circular of the Company dated 18 November 2021 for the profit forecast in relation to the Expected Realised Loss from Disposal of Kaisa Notes.



國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

The Board of Directors
Chinese Estates Holdings Limited
21st Floor, Chubb Tower, Windsor House
311 Gloucester Road
Causeway Bay
Hong Kong

Dear Sirs,

Chinese Estates Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”)

Profit estimate in respect of expected realised loss from disposal of Kaisa notes

We refer to the estimate of the expected realised loss from disposal of notes issued by Kaisa Group Holdings Ltd. for the period from 19 October 2021 to 28 October 2021 (both dates inclusive) (referred to as the “**Expected Realised Loss from Disposal of Kaisa Notes**”) (the “**Profit Estimate**”). The Profit Estimate has been prepared to enable to directors of the Company to issue the following statement set forth in the section headed “Letter from the Board” of the circular dated 18 November 2021 in connection with the major transaction in relation to disposal of notes (the “**Major Transaction**”) (the “**Circular**”):

*“It is expected that the Group will record realised loss in aggregate of approximately HK\$1,355 million in profit or loss for the year ending 31 December 2021 as a result of the Disposal (the “**Expected Realised Loss from Disposal of Kaisa Notes**”), subject to audit. The realised loss represents the difference between (i) the consideration (excluding accrued interest) and (ii) the carrying amount as at 31 December 2020 of the Disposed Notes (comprising the 9.375% Senior Notes due 2024 and the 10.875% Senior Perpetual Capital Securities) and the acquisition cost of the 11.7% Senior Notes due 2025 which was acquired by the Group in 2021.”*

Directors’ Responsibilities

The Profit Estimate has been prepared by the directors of the Company based on the unaudited expected realised loss in respect of the Major Transaction.

The Company’s directors are solely responsible for the Profit Estimate.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 “Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness” and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company’s directors have properly compiled the Profit Estimate in accordance with the bases adopted by the directors and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the directors as set out on page 10 of the Circular and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the published consolidated financial statements of the Group for the year ended 31 December 2020.

Yours faithfully,

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Ng Ka Wah
Practising Certificate Number: P06417
Hong Kong, 18 November 2021

**APPENDIX IIIB-3 REPORT BY HLB HODGSON IMPEY CHENG LIMITED ON
RELEVANT FINANCIAL INFORMATION IN RELATION
TO FAIR VALUE CHANGE ON CERTAIN FINANCIAL ASSETS**



**國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED**

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

The Board of Directors

Chinese Estates Holdings Limited

21st Floor, Chubb Tower, Windsor House

311 Gloucester Road

Causeway Bay

Hong Kong

Dear Sirs,

Chinese Estates Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”)

Profit estimate in respect of expected aggregated loss from fair value change of certain financial assets

We refer to the estimate of the realised and unrealised fair value change on certain financial assets for the period from 1 July 2021 to 31 October 2021 and/or the latest practicable date (referred to as the “**Expected Aggregated Loss from Fair Value Change on Financial Assets**”) (the “**Profit Estimate**”). The Profit Estimate has been prepared to enable to directors of the Company to issue the following statement set forth in the paragraph headed “6. Relevant Financial Information” in the section headed “Financial Information of the Group” in Appendix I of the composite scheme document dated 24 November 2021 in connection with the proposed privatisation of Chinese Estates Holdings Limited by Solar Bright Ltd. (the “**Offeror**”) by way of a scheme of arrangement under Section 99 of the Companies Act 1981 of Bermuda, as amended (the “**Scheme Document**”).

“The Group recorded (a) a negative realised fair value change on debt securities at fair value through profit or loss of approximately HK\$1,510 million for the period from 1 July 2021 to the Latest Practicable Date; (b) a negative unrealised fair value change on debt securities at fair value through profit or loss of approximately HK\$390 million for the period from 1 July 2021 to 31 October 2021 (being the last day of the calendar month immediately preceding the Latest Practicable Date); (c) a negative realised fair value change on listed equity investment, comprising solely China Evergrande Group Shares, at fair value through other comprehensive income of approximately HK\$4,149 million for the period from 1 July 2021 to the Latest Practicable Date; and (d) a negative unrealised fair value change on listed equity investment, comprising solely China Evergrande Group Shares, at fair value through other comprehensive income of approximately HK\$2,299 million for the period from 1 July 2021 to the Latest Practicable Date.”

APPENDIX IIIB-3 REPORT BY HLB HODGSON IMPEY CHENG LIMITED ON RELEVANT FINANCIAL INFORMATION IN RELATION TO FAIR VALUE CHANGE ON CERTAIN FINANCIAL ASSETS

Directors' Responsibilities

The Profit Estimate has been prepared by the directors of the Company based on the unaudited financial information of the Group for the period from 1 July 2021 to 31 October 2021 and/or the Latest Practicable Date.

The Company's directors are solely responsible for the Profit Estimate.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Profit Estimate in accordance with the bases adopted by the directors and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

**APPENDIX IIIB-3 REPORT BY HLB HODGSON IMPEY CHENG LIMITED ON
RELEVANT FINANCIAL INFORMATION IN RELATION
TO FAIR VALUE CHANGE ON CERTAIN FINANCIAL ASSETS**

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the directors as set out on pages I-13 to I-14 of the Scheme Document and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the published consolidated financial statements of the Group for the year ended 31 December 2020.

Yours faithfully,

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Ng Ka Wah
Practising Certificate Number: P06417
Hong Kong, 24 November 2021

1. RESPONSIBILITY STATEMENTS

The information contained in this Scheme Document relating to the Group has been supplied by the Company. The issue of this Scheme Document has been approved by the Directors, who jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Offeror and the Offeror Concert Parties) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than opinions expressed by Offeror Directors in their capacity as the Offeror Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

The information contained in this Scheme Document relating to the Offeror and the Offeror Concert Parties has been supplied by the Offeror. The issue of this Scheme Document has been approved by the Offeror Directors, who jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than opinions expressed by the Directors in their capacity as the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

2. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date:

- (a) the authorised share capital of the Company was HK\$500,000,000 divided into 5,000,000,000 Shares;
- (b) the issued share capital of the Company was HK\$190,761,907.9 divided into 1,907,619,079 Shares;
- (c) no Shares had been issued since 31 December 2020, being the end of the last financial year of the Company, up to the Latest Practicable Date;
- (d) all of the issued Shares ranked *pari passu* in all respects as regards rights to capital, dividends and voting; and
- (e) there were no outstanding options, derivatives, warrants or other securities convertible or exchangeable into Shares which were issued by the Company.

3. MARKET PRICES OF THE SHARES

The table below sets out the closing price of the Shares as quoted on the Stock Exchange on (i) the last trading day of each of the calendar months during the Relevant Period; (ii) the Last Full Trading Date; (iii) the Trading Halt Date; and (iv) the Latest Practicable Date:

Date	Closing price for each Share (HK\$)
30 April 2021	3.84
31 May 2021	3.82
30 June 2021	3.62
30 July 2021	3.05
31 August 2021	2.82
28 September 2021 (Last Full Trading Date)	2.18
29 September 2021 (Trading Halt Date)	2.90
30 September 2021	Not applicable (during trading halt)
29 October 2021	3.78
19 November 2021 (Latest Practicable Date)	3.73

During the Relevant Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were, respectively, HK\$4.04 per Share on 5 May 2021, and HK\$2.12 per Share on 24 September 2021.

4. DISCLOSURE OF INTERESTS, DEALINGS AND OTHER ARRANGEMENTS

4.1. Disclosure of interests in the securities of the Company

As at the Latest Practicable Date:

- (a) save as disclosed in the paragraph headed “7. Effect of the Proposal on the Shareholding Structure of the Company” in the Explanatory Statement in Part VI of this Scheme Document, none of the Offeror and the Offeror Concert Parties owned, controlled or had direction over any Shares (or any convertible securities, warrants, options or derivatives in respect of Shares);
- (b) save for Ms. HW Chan, a Director and an Offeror Director, who (as the trustee for her minor children) held the entire issued share capital of Sino Omen Holdings Limited and was therefore deemed to be interested in 1,430,700,768 Shares in aggregate that Sino Omen Holdings Limited was deemed to have interests as disclosed in paragraph 4.1(c) below, none of the Directors and the Offeror Directors was interested (within the meaning of Part XV of the SFO) in any Shares (or any convertible securities, warrants, options or derivatives in respect of Shares);

- (c) so far as are known to any Directors or chief executive of the Company, the following parties (other than the Directors or chief executive of the Company) were recorded in the register kept by the Company under section 336 of the SFO, or as otherwise notified to the Company, as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

	Number of Shares	Approximate % of issued share capital of the Company
Mr. Joseph Lau, Luen-hung ⁽¹⁾	1,430,700,768	74.99%
Sino Omen Holdings Limited ⁽²⁾	1,430,700,768	74.99%
Offeror ⁽²⁾	1,430,700,768	74.99%
Century Frontier ⁽²⁾	476,425,000	24.97%
JLLH Investments ⁽²⁾	230,984,820	12.11%

Notes:

- (1) Mr. Joseph Lau, Luen-hung was deemed to be interested in the same parcel of Shares that his spouse, Ms. HW Chan, and his minor children were deemed to have interests (as disclosed in paragraph 4.1(b) above).
- (2) The Offeror 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, the Offeror directly held 723,290,948 Shares. As such, the Offeror was interested or deemed to be interested in a total of 1,430,700,768 Shares. Sino Omen Holdings Limited held the entire issued share capital of the Offeror and therefore it was deemed to be interested in 1,430,700,768 Shares.
- (d) except for the Shares registered in the name of a subsidiary of the Company, namely Fair Eagle Securities Company Limited (a licensed corporation to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO) for the account of non-discretionary investment clients, no subsidiary of the Company, pension fund of the Company or of any subsidiary of the Company, or any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding any exempt principal traders and exempt fund managers) owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (e) the Offeror and the Offeror Concert Parties had not borrowed or lent any Shares (or any convertible securities, warrants, options, derivatives in respect of any Shares);

- (f) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code which existed between the Company, or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) or (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code, and any other person;
- (g) no Shares, convertible securities, warrants, options or derivatives in respect of the Shares were managed on a discretionary basis by any fund managers (other than exempt fund managers) connected with the Company;
- (h) none of the Company and the Directors had borrowed or lent any Shares (or any convertible securities, warrants, options or derivatives in respect of the Shares);
- (i) the Shares held by the Offeror, Century Frontier and JLLH Investments do not form part of the Scheme Shares. Each of the Offeror, Century Frontier and JLLH Investments will not be entitled to vote on the Scheme at the Scheme Meeting; and
- (j) the Shares held directly by other Offeror Concert Parties (excluding Century Frontier and JLLH Investments), being close relatives of Ms. HW Chan and her spouse, and companies controlled by such close relatives, form part of the Scheme Shares. All the relevant Offeror Concert Parties who hold any Scheme Shares will abstain from voting on the Scheme at the Scheme Meeting.

4.2. Dealings in the relevant securities of the Company

- (a) During the Relevant Period, none of the Offeror, the Offeror Directors, the Offeror Concert Parties or any person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or any of the Offeror Concert Parties had dealt for value in any Shares, convertible securities, warrants, options and derivatives in respect of the Shares;
- (b) During the Relevant Period, none of the Directors had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares; and
- (c) During the Offer Period and up to the Latest Practicable Date:
 - (i) except for trades conducted by a subsidiary of the Company, namely Fair Eagle Securities Company Limited (a licensed corporation to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO) for the account of non-discretionary investment clients, no subsidiaries of the Company, pension funds of the Company or of any subsidiary of the Company or any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of

“associate” under the Takeovers Code (but excluding exempt principal traders and exempt fund managers) had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares;

- (ii) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” or with any person who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares; and
- (iii) no fund manager (other than exempt fund managers) connected with the Company who managed any Shares or convertible securities, warrants, options or derivatives in respect of the Shares on a discretionary basis had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares.

4.3. Interests and dealings in the securities of the Offeror

- (a) Save that the Offeror was directly wholly-owned by Sino Omen Holdings Limited which was in turn wholly-owned by Ms. HW Chan (as the trustee for her minor children), none of the Company or the Directors was interested in any shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of the shares of the Offeror as at the Latest Practicable Date; and
- (b) Neither the Company nor the Directors had dealt for value in any shares of the Offeror, or any convertible securities, warrants, options or derivatives in respect of the shares of the Offeror during the Relevant Period.

4.4. Other arrangements in respect of the Proposal

As at the Latest Practicable Date:

- (a) the Offeror and the Offeror Concert Parties had not received any irrevocable commitment from any Shareholders in respect of voting at the Scheme Meeting and/or the SGM;
- (b) no benefit (other than statutory compensation) was or would be given to any Director as compensation for his/her loss of office or otherwise in connection with the Proposal;
- (c) there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Proposal or otherwise connected with the Proposal;

- (d) there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or the Offeror Concert Parties on one hand and any Directors, recent Directors, Shareholders or recent Shareholders on the other hand, having any connection with or was dependent upon the Proposal;
- (e) there was no agreement or arrangement to which the Offeror is a party which relate to circumstances in which it may or may not invoke or seek to invoke a condition to the Proposal;
- (f) there was no arrangement (whether by way of option, indemnity or otherwise) in relation to shares of the Offeror or the Shares which might be material to the Proposal;
- (g) there was no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code which existed between the Offeror or the Offeror Concert Parties and any other person;
- (h) there was no agreement, arrangement or understanding between the Offeror and any other person in relation to the transfer, charge or pledge of the Shares acquired pursuant to the Proposal and the Offeror had no intention to transfer, charge or pledge any Shares acquired pursuant to the Proposal to any other person;
- (i) no material contracts had been entered into by the Offeror in which any Director had a material personal interest;
- (j) other than the Cancellation Price for each Scheme Share cancelled payable under the Scheme, the Offeror or the Offeror Concert Parties had not paid and will not pay any other consideration, compensation or benefit in whatever form to the Scheme Shareholders or persons acting in concert with them in relation to the Scheme Shares;
- (k) there was no special deal (as defined under Rule 25 of the Takeovers Code) between (1) the Offeror and any of the Offeror Concert Parties on one hand; and (2) any Shareholders and persons acting in concert with them on the other hand; and
- (l) there was no special deal (as defined under Rule 25 of the Takeovers Code) between (1) any Shareholder on one hand; and (2) the Company, its subsidiaries or associated companies on the other hand.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into a service contract with any member of the Group or the associated companies of the Company which are in force and which: (i) (including both continuous and fixed term contracts) had been entered into or amended within the Relevant Period; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

6. MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance was pending or threatened by or against the Company or any other members of the Group.

7. MATERIAL CONTRACTS

During the two years immediately preceding the Announcement Date and up to the Latest Practicable Date, the following contracts, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group, have been entered into by the Company and/or members of the Group and are or may be material:

- (a) the placement and subscription agreement dated 15 November 2019 entered into among Chase Master Company Limited (“**Chase Master**”) (an indirect wholly-owned subsidiary of the Company) as the subscriber, Zhongliang Holdings Group Company Limited (“**Zhongliang**”) 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 (collectively the “**Subsidiary Guarantors**”) and UBS AG Hong Kong Branch (“**UBS AG**”) as the placing agent relating to the subscription of the US\$100,000,000 9.75% senior notes due 2020 at the issue price of US\$98,287,000 (equivalent to approximately HK\$770,305,000), representing 98.287% of the principal amount of the notes as disclosed in the announcement of the Company dated 26 November 2019;
- (b) 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 at a consideration subject to a maximum amount of HK\$360,000,000 as disclosed in the announcement of the Company dated 10 January 2020;
- (c) the disposal agreement dated 29 January 2020 entered into among Chase Master (an indirect wholly-owned subsidiary of the Company), Lucky Way Company Ltd. (an indirect wholly-owned subsidiary of the Company), City Gateway Limited (an indirect wholly-owned subsidiary of the Company) as the sellers and Ms. HW Chan as the purchaser relating to the disposal of certain debt securities subject to the cap amount of HK\$8,000 million as disclosed in the announcement of the Company dated 29 January 2020 and the circular of the Company dated 28 February 2020;

- (d) the tenancy agreement dated 12 June 2020 entered into between Chinese Estates, Limited (“CEL”) (a direct wholly-owned subsidiary of the Company) as tenant and Windsor House Limited (a company at that time indirectly owned by (i) Ms. HW Chan (an executive Director and a trustee of the substantial shareholders of the Company (who are her minor children)), both in her capacity as a trustee of her minor children and in her own capacity; and (ii) a family trust of Mr. Lau, Ming-wai (a non-executive Director and the chairman of the Board)) as landlord in relation to the leasing of the whole of 39th floor of Chubb Tower, Windsor House at a monthly rental of HK\$1,409,500 and for a term of three years as disclosed in the announcement of the Company dated 12 June 2020;
- (e) the contract for services dated 14 August 2020 entered into between CEL and Ms. HW Chan in respect of the provision of leasing administration services, asset management and maintenance services, sale administration services, property management services, property administration services, rental services, advisory and consultancy services and other ordinary services for a term commencing from 1 November 2020 for three years. The cap of the services charges for the period from 1 November 2020 to 31 December 2020, for the years 2021 and 2022, and for the period from 1 January 2023 to 31 October 2023 were set at HK\$9,800,000, HK\$59,400,000, HK\$62,400,000 and HK\$54,600,000, respectively as disclosed in the announcement and circular of the Company dated 14 August 2020 and 7 October 2020, respectively; and
- (f) the placement and subscription agreement dated 26 November 2020 entered into among Chase Master as the subscriber, Zhongliang as the issuer, the Subsidiary Guarantors as the subsidiary guarantors and UBS AG as the placing agent in relation to the subscription of the US\$100,000,000 8.875% senior notes due 2021 on a private placement basis at the issue price of 98.966% of the principal amount of the notes plus accrued interest as disclosed in the announcement of the Company dated 26 November 2020.

8. EXPERTS

The following are the qualifications of each of the experts who has given opinions or advices which are contained in this Scheme Document:

Name	Qualifications
Gram Capital Limited	a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO
Southwest Securities (HK) Capital Limited	a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
B.I. Appraisals Limited	an independent professional property valuer
Peak Vision Appraisals Limited	an independent professional property valuer
HLB Hodgson Impey Cheng Limited	Certified Public Accountants

9. CONSENTS

Each of the experts mentioned above has given and has not withdrawn its written consent to the issue of this Scheme Document with the inclusion therein of the opinions and/or letters and/or the references to its name and/or opinions and/or letters in the form and context in which they respectively appear.

10. MISCELLANEOUS

- (a) The registered office of the Company is at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda.
- (b) The principal place of business of the Company in Hong Kong is at 21st Floor, Chubb Tower, Windsor House, 311 Gloucester Road, Causeway Bay, Hong Kong.
- (c) The principal share registrar and transfer office of the Company is MUFG Fund Services (Bermuda) Limited is at, 4th Floor North, Cedar House, 41 Cedar Avenue, Hamilton HM 12, Bermuda.
- (d) The Branch Share Registrar is Computershare Hong Kong Investor Services Limited, whose registered office is at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (e) As at the Latest Practicable Date, the principal members of the Offeror's concert group were (i) the Offeror; (ii) companies controlled by the Offeror, namely Century Frontier and JLLH Investments; (iii) Ms. HW Chan's mother, namely Ms. Chung, Siu-kuen; (iv) a younger sister of Ms. HW Chan's spouse, namely Ms. Mary Lau, Yuk-chun; (v) companies controlled by Ms. Mary Lau, Yuk-chun, namely Union Field Ltd., WinPath Limited and Chaker Investments Ltd.; and (vi) a company controlled by Mr. Thomas Lau, Luen-hung, a younger brother of Ms. HW Chan's spouse, namely Favor Gain Limited.
- (f) Information regarding the Offeror and the principal members of the Offeror's concert group named in (e) above as at the Latest Practicable Date is set out below:
 - (i) The Offeror was directly wholly-owned by Sino Omen Holdings Limited, which in turn was directly wholly-owned by Ms. HW Chan (as the trustee for her minor children). Each of Century Frontier and JLLH Investments was directly wholly-owned by the Offeror.
 - (ii) The registered office of the Offeror was at 80 Main Street, P.O. Box 3200, Road Town, Tortola, VG1110, British Virgin Islands while, solely for the purpose of receiving any correspondence or documents in relation to the Proposal, its correspondence address was at 21st Floor, Chubb Tower, Windsor House, 311 Gloucester Road, Causeway Bay, Hong Kong.
 - (iii) The registered office of Sino Omen Holdings Limited was at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.

- (iv) The registered office of Century Frontier was at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.
- (v) The registered office of JLLH Investments was at 80 Main Street, P.O. Box 3200, Road Town, Tortola, VG1110, British Virgin Islands.
- (vi) The directors of each of the Offeror, Sino Omen Holdings Limited, Century Frontier and JLLH Investments were Ms. HW Chan and Ms. Chan, Sze-wan.
- (vii) The address of Ms. Chung, Siu-kuen was at No. 2 Goldsmith Road, Jardine's Lookout, Hong Kong.
- (viii) The address of Ms. Mary Lau, Yuk-chun was at 3303, 33/F., Bank of America Tower, 12 Harcourt Road, Hong Kong.
- (ix) Each of Union Field Ltd. and Chaker Investments Ltd. was directly wholly-owned by Ms. Mary Lau, Yuk-chun. WinPath Limited was directly wholly-owned by Motive Power Investments Limited, which in turn was directly wholly-owned by Ms. Mary Lau, Yuk-chun.
- (x) The registered office of Union Field Ltd. was at Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands.
- (xi) The registered office of WinPath Limited was at 3rd Floor, J & C Building, P.O. Box 362, Road Town, Tortola, VG1110, British Virgin Islands.
- (xii) The registered office of Motive Power Investments Limited was at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.
- (xiii) The registered office of Chaker Investments Ltd. was at 4th Floor, Water's Edge Building, Meridian Plaza, Road Town, Tortola, VG1110, British Virgin Islands.
- (xiv) The sole director of each of Union Field Ltd., WinPath Limited, Chaker Investments Ltd. and Motive Power Investments Limited was Ms. Mary Lau, Yuk-chun.
- (xv) Favor Gain Limited was directly wholly-owned by Mr. Thomas Lau, Luen-hung.
- (xvi) The registered office of Favor Gain Limited was at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.
- (xvii) The sole director of Favor Gain Limited was Mr. Thomas Lau, Luen-hung.
- (g) The registered office of Southwest Securities is at 40/F., Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.
- (h) The registered office of Gram Capital is at Room 1209, 12/F., Nan Fung Tower, 88 Connaught Road Central/173 Des Voeux Road Central, Central, Hong Kong.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal office of the Company in Hong Kong at 21st Floor, Chubb Tower, Windsor House, 311 Gloucester Road, Causeway Bay, Hong Kong, from 9:30 a.m. to 5:30 p.m. (except Saturdays, Sundays and public holidays) and on the website of the Company at <http://www.chineseestates.com>, and the website of the SFC at www.sfc.hk during the period from the date of the Scheme Document until the Effective Date or the date on which the Scheme lapses or is withdrawn, whichever is earlier:

- (a) the memorandum and articles of association of the Offeror;
- (b) the memorandum of association and bye-laws of the Company;
- (c) the annual reports of the Company for the years ended 31 December 2018, 2019 and 2020;
- (d) the interim reports of the Company for the six months ended 30 June 2020 and 2021;
- (e) the letter from the Board, the text of which is set out in Part III of this Scheme Document;
- (f) the letter from the Independent Board Committee, the text of which is set out in Part IV of this Scheme Document;
- (g) the letter from Gram Capital, the text of which is set out in Part V of this Scheme Document;
- (h) the property valuation report from B.I. Appraisals Limited, the text of which is set out in Appendix IIA to this Scheme Document;
- (i) the property valuation report from Peak Vision Appraisals Limited, the text of which is set out in Appendix IIB to this Scheme Document;
- (j) the written consents referred to in the paragraph headed “9. Consents” in Appendix IV to this Scheme Document;
- (k) the report by Gram Capital on the Relevant Financial Information in relation to the China Evergrande Group Shares, the text of which is set out in Appendix IIIA-1 to this Scheme Document;
- (l) the report by Gram Capital on the Relevant Financial Information in relation to the disposal of the Kaisa Notes, the text of which is set out in Appendix IIIA-2 to this Scheme Document;
- (m) the report by Gram Capital on the Relevant Financial Information in relation to fair value change on certain financial assets, the text of which is set out in Appendix IIIA-3 to this Scheme Document;
- (n) the report by HLB Hodgson Impey Cheng Limited on the Relevant Financial Information in relation to the China Evergrande Group Shares, the text of which is set out in Appendix IIIB-1 to this Scheme Document;

- (o) the report by HLB Hodgson Impey Cheng Limited on the Relevant Financial Information in relation to the disposal of the Kaisa Notes, the text of which is set out in Appendix IIIB-2 to this Scheme Document;
- (p) the report by HLB Hodgson Impey Cheng Limited on the Relevant Financial Information in relation to fair value change on certain financial assets, the text of which is set out in Appendix IIIB-3 to this Scheme Document;
- (q) the material contract(s) referred to in the paragraph headed “7. Material Contracts” in Appendix IV to this Scheme Document; and
- (r) this Scheme Document.

IN THE SUPREME COURT OF BERMUDA

CIVIL JURISDICTION

COMMERCIAL COURT

2021: No. 329

IN THE MATTER OF

CHINESE ESTATES HOLDINGS LIMITED

AND

IN THE MATTER OF

SECTION 99 OF THE COMPANIES ACT 1981 OF BERMUDA, AS AMENDED

SCHEME OF ARRANGEMENT

BETWEEN

CHINESE ESTATES HOLDINGS LIMITED

AND

THE SCHEME SHAREHOLDERS
(as hereinafter defined)

PRELIMINARY

- (A) In this Scheme of Arrangement, unless inconsistent with the subject or context, the following expressions shall have the meanings respectively set opposite them:

“Business Day”

a day on which the Stock Exchange is open for the transaction of business

“Cancellation Price”	the cancellation price of HK\$4.00 per Scheme Share payable in cash by the Offeror to the Scheme Shareholders pursuant to the Scheme
“Century Frontier”	Century Frontier Limited, a business company incorporated in the British Virgin Islands with limited liability, directly wholly-owned by the Offeror as at the Latest Practicable Date
“Companies Act”	the Companies Act 1981 of Bermuda, as amended
“Company”	Chinese Estates Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Condition(s)”	the condition(s) of the Proposal and the Scheme as set out in the paragraph headed “3. Conditions of the Proposal and the Scheme” in the Explanatory Statement in Part VI of the Scheme Document
“Court”	the Supreme Court of Bermuda
“Effective Date”	the date on which the Scheme becomes effective in accordance with the Conditions and the Companies Act
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any delegate thereof
“Explanatory Statement”	the explanatory statement set out in the Scheme Document
“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
“JLLH Investments”	Joseph Lau Luen Hung Investments Limited, a business company incorporated in the British Virgin Islands with limited liability, directly wholly-owned by the Offeror as at the Latest Practicable Date
“Latest Practicable Date”	19 November 2021, being the latest practicable date prior to the despatch of the Scheme Document for the purpose of ascertaining certain information contained in the Scheme Document

“Long Stop Date”	30 June 2022 or such later date as the Offeror and the Company may agree or, to the extent applicable, as the Court may direct and, in all cases, as permitted by the Executive
“Ms. HW Chan”	Ms. Chan, Hoi-wan, an executive director and the chief executive officer of the Company and also a trustee of the substantial shareholders of the Company (who are her minor children)
“Offeror”	Solar Bright Ltd., a business company incorporated in the British Virgin Islands with limited liability, which is ultimately wholly-owned by Ms. HW Chan (as trustee for her minor children)
“Proposal”	the proposal for the privatisation of the Company by the Offeror by way of the Scheme, on the terms and subject to the Conditions set out in the Scheme Document
“Registrar of Companies”	the Registrar of Companies in Bermuda
“Scheme”	the scheme of arrangement under Section 99 of the Companies Act between the Company and the Scheme Shareholders with or subject to any modifications, additions or conditions as may be approved or imposed by the Court
“Scheme Document”	the composite scheme document (which contains, amongst other things, details of the Proposal, the accompanying proxy forms and notices of the Scheme Meeting and the SGM) published or despatched by the Offeror and the Company to all Shareholders
“Scheme Meeting”	the meeting of the Scheme Shareholders convened at the direction of the Court at which the Scheme (with or without any modifications) will be voted upon, or any adjournment thereof
“Scheme Record Date”	7 January 2022 or such other date as may be announced to the Shareholders, being the record date for the purpose of determining the entitlement of Scheme Shareholders under the Scheme
“Scheme Share(s)”	Share(s) other than those held by the Offeror, Century Frontier and JLLH Investments
“Scheme Shareholder(s)”	the registered holder(s) of the Scheme Share(s)

- | | |
|------------------------------|---|
| “SGM” | the special general meeting of the Company convened for the purposes of passing all necessary resolution(s) for, amongst other things, the implementation of the Proposal, or any adjournment thereof |
| “Share(s)” | the ordinary share(s) of par value HK\$0.10 each in the share capital of the Company |
| “Shareholder(s)” | the registered holder(s) of the Share(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “substantial shareholder(s)” | has the meaning given to it in the Rules Governing the Listing of Securities on the Stock Exchange |
| “Takeovers Code” | the Hong Kong Code on Takeovers and Mergers |
- (B) The Company is an exempted company with limited liability incorporated in Bermuda on 5 June 1989. As at the Latest Practicable Date, the Company had an authorised share capital of HK\$500,000,000 divided into 5,000,000,000 Shares of which 1,907,619,079 Shares had been issued and fully paid or credited as fully paid.
- (C) The Offeror has agreed to appear by Conyers Dill & Pearman Limited at the hearing of the petition to sanction the Scheme and has undertaken to the Court to be bound by the Scheme and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable for the purpose of giving effect to the Scheme.
- (D) The primary purpose of the Scheme is to cancel all Scheme Shares and to issue new Shares to the Offeror equal to the number of Scheme Shares cancelled on the Effective Date so that the Company will be owned by the Offeror, Century Frontier and JLLH Investments.

SCHEME

**PART I
CANCELLATION OF THE SCHEME SHARES**

1. Simultaneously on the Effective Date:
 - (a) all Scheme Shares shall be cancelled; and
 - (b) the Company shall issue such number of new Shares to the Offeror as is equal to the number of Scheme Shares cancelled and the Company shall apply the credit arising in its books of account as a result of the cancellation of the Scheme Shares in paying up in full at par such new Shares.

**PART II
CONSIDERATION FOR CANCELLATION OF THE SCHEME SHARES**

2. In consideration of the cancellation of all Scheme Shares, each Scheme Shareholder shall be entitled to receive the Cancellation Price for each Scheme Share cancelled.

**PART III
GENERAL**

3. Cheques in respect of the Cancellation Price shall be sent to the Scheme Shareholders whose names appear on the register of members of the Company as at the Scheme Record Date (or, in the case of joint holders, to the registered address of that joint holder whose name stands first in the register of members of the Company in respect of the joint holding) as soon as possible but in any event within seven Business Days following the Effective Date.
4. On or after the day being six calendar months after the posting of such cheques, the Offeror shall have the right to cancel or countermand payment of any cheque which has not been cashed or has been returned uncashed, and shall place all monies represented by the cheque in a deposit or custodian account in the name of the Offeror or, if the Offeror so direct, in the name of the Company, with a licensed bank in Hong Kong selected by the Offeror.
5. The Offeror or the Company (as the case may be) shall hold such monies in respect of uncashed cheques on trust for those entitled under the terms of the Scheme until the expiry of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums, without interest earned thereon, to persons who satisfy the Offeror (or if the monies are held by the Company, the Company) that they are respectively entitled thereto. On the expiry of six years from the Effective Date, the Offeror and the Company shall be released from any further obligation to make any payments under the Scheme and the Offeror shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit or custodian account, including accrued interest subject to any deduction required by law and expenses incurred.

6. Share certificates relating to the Scheme Shares shall cease to be valid for any purpose on the Effective Date.
7. The Scheme shall become effective as soon as a copy of the order of the Court sanctioning the Scheme under Section 99 of the Companies Act has been delivered to the Registrar of Companies for registration.
8. The Company and the Offeror may jointly consent for and on behalf of all Scheme Shareholders to any modifications of or additions to the Scheme or to any conditions which the Court may see fit to approve or impose.
9. Unless the Scheme becomes effective on or before the Long Stop Date, the Scheme shall lapse.
10. Subject to the requirements of the Takeovers Code, the parties shall bear their own costs, charges and expenses of and incidental to the Scheme.

IN THE SUPREME COURT OF BERMUDA**CIVIL JURISDICTION
COMMERCIAL COURT
2021: No. 329****IN THE MATTER OF
CHINESE ESTATES HOLDINGS LIMITED
AND
IN THE MATTER OF
SECTION 99 OF THE COMPANIES ACT 1981 OF BERMUDA, AS AMENDED****SCHEME OF ARRANGEMENT
BETWEEN
CHINESE ESTATES HOLDINGS LIMITED
AND
THE SCHEME SHAREHOLDERS
(as hereinafter defined)**

NOTICE OF SCHEME MEETING

NOTICE IS HEREBY GIVEN that, by an order (the “**Order**”) dated on or about 19 November 2021, the Supreme Court of Bermuda (the “**Court**”) has directed a meeting (the “**Scheme Meeting**”) of the Scheme Shareholders (as defined in the Scheme referred to below) to be convened for the purpose of considering and, if thought fit, approving (with or without modifications) a scheme of arrangement (the “**Scheme**”) to be made between Chinese Estates Holdings Limited (the “**Company**”) and the Scheme Shareholders and that the Scheme Meeting will be held at Island Ballroom, Level 5, Island Shangri-La, Hong Kong, Two Pacific Place, Supreme Court Road, Central, Hong Kong on Friday, 17 December 2021 at 9:30 a.m. (Hong Kong time) at which all Scheme Shareholders are invited to attend.

A copy of the Scheme and a copy of the explanatory statement required by Section 100 of the Companies Act 1981 are incorporated in the composite scheme document of which this notice forms part. A copy of the composite scheme document may also be obtained by the Scheme Shareholders from the branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.

Scheme Shareholders may vote in person at the Scheme Meeting or they may appoint another person, whether a member of the Company or not, as their proxy to attend and vote in their stead. A **PINK** form of proxy for use at the Scheme Meeting is enclosed with the composite scheme document. The completion and return of the **PINK** form of proxy will not preclude a Scheme Shareholder from attending and voting in person at the Scheme Meeting or any adjournment thereof and in such event, the **PINK** form of proxy will be revoked by operation of law.

Where there are any joint holders of any Scheme Share, any one of such persons may vote at the Scheme Meeting, either in person or by proxy, in respect of such Scheme Share as if he/she was solely entitled thereto, but if more than one of such joint holders be present at the Scheme Meeting in person or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Scheme Share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased Scheme Shareholder in whose name any Scheme Share stands shall for such purpose be deemed joint holders thereof.

In the case of a Scheme Shareholder which is a corporation, the Scheme Shareholder may by resolution of its directors or other governing body or by power of attorney authorise such person as it thinks fit to act as its corporate representative at the Scheme Meeting and exercise the same powers on behalf of the corporate Scheme Shareholder as if the corporate Scheme Shareholder was an individual Scheme Shareholder of the Company.

The **PINK** forms of proxy, together with the power of attorney or other authority (if any) under which they are signed or a notarially certified copy thereof, should be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by 9:30 a.m. on Wednesday, 15 December 2021 (or not less than 48 hours before an adjourned Scheme Meeting), but if the **PINK** forms of proxy are not so lodged they may alternatively be handed to the chairman of the Scheme Meeting at the Scheme Meeting who shall have absolute discretion as to whether or not to accept them.

By the Order, the Court has appointed Mr. Lau, Ming-wai, or failing him, Mr. Chan, Kwok-wai, or failing him, Ms. Phillis Loh, Lai-ping, or failing her, Mr. Ma, Tsz-chun (each being a director of the Company), to act as chairman of the Scheme Meeting and has directed the chairman to report the results of the Scheme Meeting to the Court.

The Scheme is subject to the subsequent sanction of the Court.

Dated: 24 November 2021

By order of the Court
Conyers Dill & Pearman Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda
Attorneys for the Company

Notes:

1. For the purpose of determining the entitlement to attend and vote at the Scheme Meeting, the register of members of the Company will be closed from Tuesday, 14 December 2021 to Friday, 17 December 2021 (both days inclusive) and, during such period, no transfer of shares will be effected. In order to qualify to attend and vote at the Scheme Meeting, all transfers documents accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration by not later than 4:30 p.m. on Monday, 13 December 2021.
2. Any member entitled to attend and vote at the Scheme Meeting is entitled to appoint another person as his/her proxy to attend and vote on his/her behalf. A member may appoint more than one proxy to represent him/her and vote on his/her behalf at the Scheme Meeting. A proxy need not be a member of the Company. If more than one proxy is appointed, the appointment shall specify the number of Scheme Shares in respect of which each such proxy is appointed. If more than one proxy form for the Scheme Meeting is submitted by a Scheme Shareholder and the voting instructions require the proxies to vote both FOR and AGAINST the Scheme, the chairman of the Scheme Meeting shall have absolute discretion as to whether or not to accept those proxy forms.
3. A **PINK** form of proxy for use in connection with the Scheme Meeting is enclosed with the composite scheme document.
4. The health of the shareholders of the Company, staff and stakeholders is of paramount importance to us. With a view to preventing and controlling the spread of the COVID-19, the Company will implement the following precautionary measures at the Scheme Meeting to protect attending Scheme Shareholders, staff and stakeholders from the risk of infection:
 - (a) compulsory body temperature checks will be conducted for every Scheme Shareholder, proxy and other attendee; and each attendee will be required to (i) complete and submit a health declaration form and (ii) scan the “Leave Home Safe” venue QR code or register his/her name, contact number and the date and time of visit at the entrance of the meeting venue;
 - (b) each attendee is required to wear mask inside the meeting venue and throughout the Scheme Meeting, and to maintain a safe distance between seats;
 - (c) anyone who does not comply with the aforesaid arrangement, or with a body temperature of over 37.5 degrees Celsius, or with any flu-like symptoms, or subject to any Hong Kong government prescribed quarantine, or has close contact with any person under quarantine 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 Scheme Meeting;
 - (d) no refreshments will be served, and there will be no distribution of corporate gifts; and
 - (e) any other additional precautionary measures in accordance with the requirements or guidance of the Hong Kong government and/or regulatory authorities from time to time, or as considered appropriate in light of the development of the local COVID-19 situation.

5. Any person who does not comply with the precautionary measures or is subject to any Hong Kong government prescribed quarantine may be denied entry into the meeting venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the meeting venue to the extent practicable. In view of the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation (Chapter 599G of the Laws of Hong Kong) (as amended, supplemented and/or modified from time to time) and the requirements for social distancing to ensure the health and safety of attendees, there will be limited capacity for attendees to attend the Scheme Meeting and only Scheme Shareholders and/or their proxies and relevant staff will be allowed entry into the meeting venue and the attending Scheme Shareholders (or their proxies) will be admitted to the main conference room at the meeting venue on a “first-come-first-served” basis, whereas other attending Scheme Shareholders (or their proxies) will be accommodated in other room(s) or area at the meeting venue after the main conference room is fully occupied.

In addition, the Company reminds all Scheme Shareholders that they may exercise their right to vote at the Scheme Meeting by appointing the chairman of the Scheme Meeting as their proxy to vote on the relevant resolution(s) as an alternative to attending the Scheme Meeting in person by completing and returning the PINK form of proxy enclosed with the composite scheme document.



CHINESE ESTATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 127)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “**SGM**”) of Chinese Estates Holdings Limited (the “**Company**”) will be held at Island Ballroom, Level 5, Island Shangri-La, Hong Kong, Two Pacific Place, Supreme Court Road, Central, Hong Kong on Friday, 17 December 2021 at 10:00 a.m. (Hong Kong time) or immediately after the conclusion or adjournment of the Scheme Meeting, whichever is later, for the purposes of considering and, if thought fit, passing with or without modifications, the following resolution as a special resolution. Unless otherwise defined, capitalised terms used in this notice shall have the same meanings as those defined in the composite scheme document of the Company dated 24 November 2021 (the “**Scheme Document**”) of which this notice forms part.

SPECIAL RESOLUTION

“**THAT** for the purposes of giving effect to the Scheme between the Company and the Scheme Shareholders as set out in the Scheme Document and subject to the approval of the Scheme by the Scheme Shareholders at the Scheme Meeting:

- (a) on the Effective Date (as defined in the Scheme), any reduction of the issued share capital of the Company associated with the cancellation of the Scheme Shares be and is hereby approved;
- (b) subject to and simultaneously with the cancellation of the Scheme Shares, the issued share capital of the Company shall be maintained at the amount immediately prior to the cancellation of the Scheme Shares by issuing to the Offeror such number of new Shares as is equal to the number of Scheme Shares cancelled, credited as fully paid, by applying the credit created in the books of account of the Company as a result of the cancellation of the Scheme Shares in paying up in full at par such new Shares;
- (c) subject to the Scheme taking effect, the withdrawal of listing of the Shares on the Stock Exchange be approved, and any one Director be and is hereby authorised to make application to the Stock Exchange in respect of such withdrawal; and

- (d) any one Director be and is hereby authorised to do all acts and things as considered by him/her to be necessary or desirable in connection with the implementation and completion of the Proposal, including, without limitation, the giving of consent to any modifications of, or additions or conditions to, the Scheme, which the Court may see fit to impose and to do all other acts and things as considered by him/her to be necessary or desirable in connection with the Proposal or in order to give effect to the transactions referred to above.”

By order of the Board
CHINESE ESTATES HOLDINGS LIMITED
Lam, Kwong-wai
Executive Director and Company Secretary

Hong Kong, 24 November 2021

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

As at the date of this notice, the Board comprises Ms. HW Chan, 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.

Notes:

1. For the purpose of determining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Tuesday, 14 December 2021 to Friday, 17 December 2021 (both days inclusive) and, during such period, no transfer of Shares will be effected. In order to qualify to attend and vote at the SGM, all transfers documents accompanied by the relevant share certificates must be lodged with the Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration by not later than 4:30 p.m. on Monday, 13 December 2021.
2. Any member entitled to attend and vote at the SGM is entitled to appoint another person as his/her proxy to attend and vote on his/her behalf. A member may appoint more than one proxy to represent him/her and vote on his/her behalf at the SGM. A proxy need not be a member of the Company. If more than one proxy is appointed, the appointment shall specify the number of Shares in respect of which each such proxy is appointed.
3. In order to be valid, the **WHITE** form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 10:00 a.m. on Wednesday, 15 December 2021 (or not less than 48 hours before an adjourned SGM).
4. Where there are joint holders of any Share, any one of such persons may vote at the SGM either in person or by proxy, in respect of such Share as if he/she was solely entitled thereto, but if more than one of such joint holders be present at the SGM in person or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any Share stands shall for such purpose be deemed joint holders thereof.
5. A **WHITE** form of proxy for use in connection with the SGM is enclosed with the Scheme Document.

6. The health of the Shareholders, staff and stakeholders is of paramount importance to us. With a view to preventing and controlling the spread of COVID-19, the Company will implement the following precautionary measures at the SGM to protect attending Shareholders, staff and stakeholders from the risk of infection:
- (i) compulsory body temperature checks will be conducted for every Shareholder, proxy and other attendee; and each attendee will be required to (i) complete and submit a health declaration form and (ii) scan the “Leave Home Safe” venue QR code or register his/her name, contact number and the date and time of visit at the entrance of the meeting venue;
 - (ii) each attendee is required to wear mask inside the meeting venue and throughout the SGM, 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 37.5 degrees Celsius, or with any flu-like symptoms, or subject to any Hong Kong government prescribed quarantine, or has close contact with any person under quarantine 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 SGM;
 - (iv) no refreshments will be served, and there will be no distribution of corporate gifts; and
 - (v) any other additional precautionary measures in accordance with the requirements or guidance of the Hong Kong government and/or regulatory authorities from time to time, or as considered appropriate in light of the development of the local COVID-19 situation.
7. Any person who does not comply with the precautionary measures or is subject to any Hong Kong government prescribed quarantine may be denied entry into the meeting venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the meeting venue to the extent practicable. In view of the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation (Chapter 599G of the Laws of Hong Kong) (as amended, supplemented and/or modified from time to time) and the requirements for social distancing to ensure the health and safety of attendees, there will be limited capacity for attendees to attend the SGM and only Shareholders and/or their proxies and relevant staff will be allowed entry into the meeting venue and the attending Shareholders (or their proxies) will be admitted to the main conference room at the meeting venue on a “first-come-first-served” basis, whereas other attending Shareholders (or their proxies) will be accommodated in other room(s) or area at the meeting venue after the main conference room is fully occupied.
- In addition, the Company reminds all Shareholders that they may exercise their right to vote at the SGM by appointing the chairman of the SGM as their proxy to vote on the relevant resolution as an alternative to attending the SGM in person by completing and returning the WHITE form of proxy enclosed with the Scheme Document.**
8. References to time and dates in this notice are to Hong Kong time and dates.