
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your Shares, you should at once hand this circular together with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is addressed to the Shareholders in connection with the SGM to be held at 10:00 a.m. on Wednesday, 7 July 2010.

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CHINESE ESTATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 127)

DISCLOSEABLE AND CONNECTED TRANSACTIONS AND POSSIBLE CONTINUING CONNECTED TRANSACTIONS:

- (1) DISPOSAL OF SUBSIDIARIES AND ASSETS
AND
(2) PROPERTY MANAGEMENT AGREEMENTS

AND

NOTICE OF SPECIAL GENERAL MEETING

Independent financial adviser to the
Independent Board Committee and the Independent Shareholders



粵海證券有限公司
GUANGDONG SECURITIES LIMITED

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular. A letter from the Board is set out on pages 9 to 40 of this circular. A letter from the Independent Board Committee is set out on page 41 of this circular. A letter from Guangdong Securities containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 42 to 60 of this circular.

A notice convening the SGM to be held at JW Marriott Ballroom, Level 3, Salon 1-3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Wednesday, 7 July 2010 at 10:00 a.m. is set out on pages 82 to 84 of this circular. If you are not able to attend the meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit it with the Company's branch registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish.

18 June 2010

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DEFINITIONS

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

“Announcement”	the announcement of the Company dated 18 May 2010 for the Transactions
“associate(s)”	having the meaning ascribed thereto in the Listing Rules
“Baharica”	Baharica Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company (held through Grand Lucky)
“Baharica CCT Agreement”	the property management agreement to be entered into between Baharica and the Property Manager relating to the Southorn Centre Properties upon completion of the Sixth SP Agreement
“Baharica CCT Transaction”	the transaction contemplated under the Baharica CCT Agreement
“Bingo Castle”	Bingo Castle Limited, a company incorporated in BVI and an indirect wholly-owned subsidiary of the Company (held through Dynamic Source)
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday or a Sunday) on which banks are generally open for business in Hong Kong
“BVI”	the British Virgin Islands
“CCT Agreements”	the Sunny Ocean CCT Agreement, the Viewide CCT Agreement and the Baharica CCT Agreement collectively
“CCT Transactions”	the Sunny Ocean CCT Transaction, the Viewide CCT Transaction and the Baharica CCT Transaction collectively
“Company”	Chinese Estates Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	having the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal Transactions”	the transactions contemplated under the SP Agreements

DEFINITIONS

“Dynamic Source”	Dynamic Source Limited, a company incorporated in BVI and an indirect wholly-owned subsidiary of the Company (held through Gold Horse)
“Energy Kingdom”	Energy Kingdom Limited, a company incorporated in BVI and wholly-owned by Mr. Lau indirectly
“Fair City”	Fair City Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“Fifth SP Agreement”	the sale and purchase agreement dated 17 May 2010 and entered into among Fair City, the Company, Rich Force and Mr. Lau relating to the Second York Place Property
“First Assumed Debt”	all sums due and owing to any of Global Smart and Sunny Ocean by any member of the Group (excluding the Target Companies) as at the date of completion of the First SP Agreement
“First Completion Accounts”	the unaudited consolidated or combined income statement of Global Smart and Sunny Ocean for the period from 1 January 2010 and ending on the date of completion of the First SP Agreement and the unaudited consolidated or combined balance sheet of Global Smart and Sunny Ocean as at the date of completion of the First SP Agreement, each prepared in accordance with HKFRS
“First Excelsior Properties”	the properties held directly by Sunny Ocean, as set out under the paragraph headed “Information on the First Excelsior Properties” in the section headed “Letter from the Board” of this circular
“First SP Agreement”	the sale and purchase agreement dated 17 May 2010 and entered into among Gold Horse, the Company, Tycoon City and Mr. Lau relating to the entire issued share capital of Global Smart and the amounts due by Global Smart and/or Sunny Ocean
“First York Place Property”	the property held directly by Fair City to be sold under the Fourth SP Agreement, as set out under the paragraph headed “Information on the First York Place Property” in the section headed “Letter from the Board” of this circular
“Fourth SP Agreement”	the sale and purchase agreement dated 17 May 2010 and entered into among Fair City, the Company, Glory City and Mr. Lau relating to the First York Place Property

DEFINITIONS

“Global Smart”	Global Smart Ltd., a company incorporated in BVI and an indirect wholly-owned subsidiary of the Company (held through Gold Horse)
“Glory City”	Glory City Limited, a company incorporated in Hong Kong and wholly-owned by Mr. Lau indirectly
“Gold Horse”	Gold Horse Limited, a company incorporated in BVI and an indirect wholly-owned subsidiary of the Company
“Grand Lucky”	Grand Lucky Ltd., a company incorporated in BVI and an indirect wholly-owned subsidiary of the Company (held through Gold Horse)
“Group”	the Company and its subsidiaries from time to time
“Guangdong Securities” or “Independent Financial Adviser”	Guangdong Securities Limited, a licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Disposal Transactions
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants from time to time
“Hong Kong” or “HKSAR”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the board committee comprising all independent non-executive Directors, namely Mr. Chan, Kwok-wai, Ms. Phillis Loh, Lai-ping and Mr. Ma, Tsz-chun, which has been established by the Board for the purpose of advising the Independent Shareholders in relation to the Disposal Transactions
“Independent Shareholders”	Shareholders other than Mr. Lau and his associates
“Jolly Gain”	Jolly Gain Limited, a company incorporated in BVI and an indirect wholly-owned subsidiary of the Company (held through Gold Horse)

DEFINITIONS

“Latest Practicable Date”	11 June 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Lau”	Mr. Joseph Lau, Luen-hung, the Chairman and an executive Director, the Chief Executive Officer of the Company and a substantial Shareholder
“Properties”	the First Excelsior Properties, the Second Excelsior Properties, the First York Place Property, the Second York Place Property and the Southorn Centre Properties collectively
“Property Manager”	Perfect World Company Limited, an indirect wholly-owned subsidiary of the Company
“Related Party”	for the purpose of the Stock Exchange Undertaking, a director, substantial shareholder, a subsidiary or associated company of the Company (other than a wholly-owned subsidiary of the Company) or an associate of any such person, save that any associated company of the Company which was formed with other independent third parties who is/are not connected person(s) (as defined in the Listing Rules) of the Company as a joint venture consortium to engage in real property development projects will not be regarded as a Related Party pursuant to the Stock Exchange Undertaking
“Rich Force”	Rich Force Limited, a company incorporated in Hong Kong and wholly-owned by Mr. Lau indirectly
“Second Assumed Debt”	all sums due and owing to any of Jolly Gain and Viewwide by any member of the Group (excluding the Target Companies) as at the date of completion of the Second SP Agreement
“Second Completion Accounts”	the unaudited consolidated or combined income statement of Jolly Gain and Viewwide for the period from 1 January 2010 and ending on the date of completion of the Second SP Agreement and the unaudited consolidated or combined balance sheet of Jolly Gain and Viewwide as at the date of completion of the Second SP Agreement, each prepared in accordance with HKFRS

DEFINITIONS

“Second Excelsior Properties”	the properties held directly by Viewwide, as set out under the paragraphs headed “Information on the Second Excelsior Properties” in the section headed “Letter from the Board” of this circular
“Second SP Agreement”	the sale and purchase agreement dated 17 May 2010 and entered into among Gold Horse, the Company, Energy Kingdom and Mr. Lau relating to the entire issued share capital of Jolly Gain and the amounts due by Jolly Gain and/or Viewwide
“Second York Place Property”	the property held directly by Fair City to be sold under the Fifth SP Agreement, as set out under the paragraph headed “Information on the Second York Place Property” in the section headed “Letter from the Board” of this circular
“Selection Notice”	written notification stating a Business Day selected by the respective purchaser of the SP Agreements concerned for the purpose of completion of the relevant SP Agreements after the satisfaction of the condition precedent to such SP Agreement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	a special general meeting of the Company to be convened at JW Marriott Ballroom, Level 3, Salon 1-3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Wednesday, 7 July 2010 at 10:00 a.m. or any adjournment thereof (as the case may be), for the purpose of the Independent Shareholders considering, and if thought fit, approving the SP Agreements, notice of which is set out on pages 82 to 84 of this circular
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Sixth Assumed Debt”	all sums due and owing to any of Grand Lucky and Baharica by any member of the Group (excluding the Target Companies) as at the date of completion of the Sixth SP Agreement
“Sixth Completion Accounts”	the unaudited consolidated or combined income statement of Grand Lucky and Baharica for the period from 1 January 2010 and ending on the date of completion of the Sixth SP Agreement and the unaudited consolidated or combined balance sheet of Grand Lucky and Baharica as at the date of completion of the Sixth SP Agreement, each prepared in accordance with HKFRS

DEFINITIONS

“Sixth SP Agreement”	the sale and purchase agreement dated 17 May 2010 and entered into among Gold Horse, the Company, Smart Object and Mr. Lau relating to the entire issued share capital of Grand Lucky and the amounts due by Grand Lucky and/or Baharica
“Smart Object”	Smart Object Limited, a company incorporated in BVI and wholly-owned by Mr. Lau indirectly
“Southorn Centre Properties”	the properties held directly by Baharica, as set out under the paragraph headed “Information on the Southorn Centre Properties” in the section headed “Letter from the Board” of this circular
“SP Agreements”	the First SP Agreement, the Second SP Agreement, the Third SP Agreement, the Fourth SP Agreement, the Fifth SP Agreement and the Sixth SP Agreement collectively
“Specified Transaction(s)”	for the purpose of the Stock Exchange Undertaking, a transaction between the Company or any of its subsidiaries and a Related Party being (a) any acquisition or disposal of assets by the Company or any of its subsidiaries whether in the ordinary and usual course of business of such company and/or on normal commercial terms or not; (b) an arrangement or agreement whereby the Company or any of its subsidiaries directly or indirectly grants a loan or gives other financial assistance to a Related Party; or (c) an arrangement or agreement whereby the Company or any of its subsidiaries provides security, whether by guarantee or otherwise, for the due discharge of any obligation of a Related Party which, in any such case, is for a consideration or in respect of a principal amount which, when aggregated with the consideration or principal amount of any other Specified Transaction(s) between the Company or any of its subsidiaries and any Related Party carried into effect during the previous twelve months, exceeds HK\$200 million
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Stock Exchange Undertaking”	the undertaking provided by the Company to the Stock Exchange dated 20 September 1990 (as supplemented on 8 January 1991 and amended by letter dated 24 September 1996 from the Stock Exchange)
“Sunny Ocean”	Sunny Ocean Limited, a company incorporated in BVI and an indirect wholly-owned subsidiary of the Company (held through Global Smart)
“Sunny Ocean CCT Agreement”	the property management agreement to be entered into between Sunny Ocean and the Property Manager relating to the First Excelsior Properties upon completion of the First SP Agreement
“Sunny Ocean CCT Transaction”	the transaction contemplated under the Sunny Ocean CCT Agreement
“Target Companies”	Global Smart, Sunny Ocean, Jolly Gain, Viewwide, Dynamic Source, Bingo Castle, Grand Lucky and Baharica collectively
“Third Assumed Debt”	all sums due and owing to any of Dynamic Source and Bingo Castle by any member of the Group (excluding the Target Companies) as at the date of completion of the Third SP Agreement
“Third Completion Accounts”	the unaudited consolidated or combined income statement of Dynamic Source and Bingo Castle for the period from 1 January 2010 and ending on the date of completion of the Third SP Agreement and the unaudited consolidated or combined balance sheet of Dynamic Source and Bingo Castle as at the date of completion of the Third SP Agreement, each prepared in accordance with HKFRS
“Third SP Agreement”	the sale and purchase agreement dated 17 May 2010 and entered into among Gold Horse, the Company, Tycoon City and Mr. Lau relating to the entire issued share capital of Dynamic Source and the amounts due by Dynamic Source and/or Bingo Castle
“Transactions”	the Disposal Transactions and the CCT Transactions collectively
“Tycoon City”	Tycoon City Limited, a company incorporated in BVI and wholly-owned by Mr. Lau indirectly
“Viewwide”	Viewwide Properties Limited, a company incorporated in BVI and an indirect wholly-owned subsidiary of the Company (held through Jolly Gain)

DEFINITIONS

“Viewide CCT Agreement”	the property management agreement to be entered into between Viewide and the Property Manager relating to the Second Excelsior Properties upon completion of the Second SP Agreement
“Viewide CCT Transaction”	the transaction contemplated under the Viewide CCT Agreement
“%”	per cent.

LETTER FROM THE BOARD



CHINESE ESTATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 127)

Executive Director:

Joseph Lau, Luen-hung
(Chairman and Chief Executive Officer)

Non-executive Directors:

Lau, Ming-wai
Amy Lau, Yuk-wai

Independent Non-executive Directors:

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

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Principal office in Hong Kong:

26th Floor
MassMutual Tower
38 Gloucester Road
Wanchai
Hong Kong

18 June 2010

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTIONS AND POSSIBLE CONTINUING CONNECTED TRANSACTIONS:

(1) DISPOSAL OF SUBSIDIARIES AND ASSETS AND (2) PROPERTY MANAGEMENT AGREEMENTS

A. INTRODUCTION

The Board announces that on 17 May 2010, each of the following agreements was entered into between, among other parties, the subsidiaries of the Company and companies indirect wholly-owned by Mr. Lau:

1. the First SP Agreement;
2. the Second SP Agreement;
3. the Third SP Agreement;

LETTER FROM THE BOARD

4. the Fourth SP Agreement;
5. the Fifth SP Agreement; and
6. the Sixth SP Agreement.

The SP Agreements are related to, among other things:

- (a) the First Excelsior Properties (as contemplated under the First SP Agreement), which comprise certain shops, external walls and main roof of the Excelsior Plaza in Causeway Bay, Hong Kong having a gross floor area of 7,183 square feet;
- (b) the Second Excelsior Properties (as contemplated under the Second SP Agreement), which comprise certain shops, external walls and main roof of the Excelsior Plaza in Causeway Bay, Hong Kong having a gross floor area of 50,477 square feet;
- (c) the entire issued share capital of Dynamic Source (as contemplated under the Third SP Agreement);
- (d) the First York Place Property (as contemplated under the Fourth SP Agreement) whose address is Shop 1, York Place, No. 22 Johnston Road, Hong Kong having a gross floor area of approximately 3,337 square feet;
- (e) the Second York Place Property (as contemplated under the Fifth SP Agreement) whose address is Shop 2, York Place, No. 22 Johnston Road, Hong Kong having a gross floor area of approximately 4,773 square feet; and
- (f) the Southorn Centre Properties (as contemplated under the Sixth SP Agreement), which consist of two shop units on Ground Floor and the commercial accommodation on 1st Floor and 2nd Floor of Southorn Centre, Nos. 130 and 150 Hennessy Road, Hong Kong as well as the ancillary staircases and lift area having a gross floor area of approximately 40,727 square feet.

It is provided in each of the First SP Agreement, the Second SP Agreement and the Sixth SP Agreement that upon completion of the First SP Agreement, the Second SP Agreement and the Sixth SP Agreement respectively, the CCT Agreements will be entered into between the Property Manager and the then owners of the First Excelsior Properties, the Second Excelsior Properties and the Southorn Centre Properties in respect of the property management of the First Excelsior Properties, the Second Excelsior Properties and the Southorn Centre Properties.

As (a) Mr. Lau was the sole beneficial owner and a director of Tycoon City, Energy Kingdom, Glory City, Rich Force and Smart Object, being the respective purchasers under the SP Agreements; and (b) Mr. Lau, Ming-wai, a non-executive Director of the Company, is also a director of the aforesaid purchasers, Mr. Lau and Mr. Lau, Ming-wai are deemed to have interests in the Transactions and have therefore abstained from voting on the resolutions of the Board for approving the Transactions. Save for Mr. Lau and Mr. Lau, Ming-wai, no other Directors have material interests in the Transactions.

LETTER FROM THE BOARD

The purpose of this circular is to give you further information regarding, among others, details of the SP Agreements, the CCT Agreements and the Transactions, the advice of Guangdong Securities to the Independent Board Committee and the Independent Shareholders, the recommendation from the Independent Board Committee, certain financial information as required under the Listing Rules, further information of the Group and valuation report on the Properties and to give you notice of the SGM.

B. SP AGREEMENTS

(1) The First SP Agreement

Parties:

- (a) Gold Horse, as vendor;
- (b) the Company, as vendor's guarantor;
- (c) Tycoon City (an investment holding company wholly-owned by Mr. Lau), as purchaser; and
- (d) Mr. Lau, as purchaser's guarantor.

In consideration of Tycoon City entering into the First SP Agreement, the Company has agreed to guarantee the performance by Gold Horse of its obligations under the First SP Agreement. In consideration of Gold Horse entering into the First SP Agreement, Mr. Lau has agreed to guarantee the performance by Tycoon City of its obligations under the First SP Agreement.

Assets to be disposed

The one share beneficially owned by Gold Horse, representing the entire issued share capital of Global Smart ("**First Sale Share**") and all sums due or owing by Global Smart and/or Sunny Ocean to members of the Group (other than the Target Companies) as at the date of completion of the First SP Agreement ("**First Sale Loan**"). As at 31 March 2010, the First Sale Loan amounted to approximately HK\$279.3 million. Tycoon City further agreed to assume the obligation for repaying the First Assumed Debt (if any) by way of novation upon completion of the First SP Agreement. As at 31 March 2010, there was no First Assumed Debt.

The First Sale Share to be acquired by Tycoon City shall be free from any mortgages, charges, liens, pledges, options and third party claims or other encumbrances (if any) at completion of the First SP Agreement and with all dividends, benefits and other rights becoming attached or accruing thereto as from the completion date of the First SP Agreement.

LETTER FROM THE BOARD

Consideration

The aggregate consideration for the purchase of the First Sale Share and the First Sale Loan (the “**First Consideration**”) shall be equal to the aggregate of:—

- (a) the consolidated or combined net asset value or liability of Global Smart and Sunny Ocean (for the purpose of ascertaining such net asset value or liability, Tycoon City accepts that the First Excelsior Properties shall have a value of HK\$780 million), adjusted by adding the net deferred tax liabilities or deducting the net deferred tax assets, as the case may be, as shown in the First Completion Accounts; and
- (b) the aggregate face amount of the First Sale Loan, less the aggregate face amount of the First Assumed Debt.

If the First Consideration is a negative figure or less than HK\$2.00, it shall be deemed to be HK\$2.00.

Under the First SP Agreement, the First Consideration shall not exceed a cap amount of HK\$790 million, and was determined after arm’s length negotiations between Gold Horse and Tycoon City with reference to the consolidated or combined net asset value or liability of Global Smart and Sunny Ocean as shown in the First Completion Accounts, which shall take into account the market value of the First Excelsior Properties which was valued by an independent property valuer at HK\$780 million as at 17 May 2010. In addition, the determination of the First Consideration has taken into account the provision of certain free leasing agency and management services for the First Excelsior Properties by the Group after completion of the First SP Agreement as mentioned in the paragraph headed “Provision of free leasing agency and management services after completion of the First SP Agreement” below. The estimated cost of providing such services is comparatively minimal to the amount of the estimated consideration to be received under the First SP Agreement. The Directors consider that such consideration and the relevant cap amount are fair and reasonable.

Under the First SP Agreement, which was entered into on normal commercial terms, the parties thereto have agreed that the First Consideration shall be paid by Tycoon City by means of paying a sum of HK\$778,191,956.71 as the provisional consideration (the “**First Provisional Consideration**”) first upon completion of the First SP Agreement and the difference between the First Provisional Consideration and the First Consideration will be settled in cash between the parties after the First Completion Accounts have become available. The First Provisional Consideration was determined by reference to the market value of the First Excelsior Properties of HK\$780 million as at 17 May 2010 as mentioned above and the consolidated or combined net asset value of Global Smart and Sunny Ocean as at 31 March 2010.

LETTER FROM THE BOARD

Based on the book value of the subject assets to be sold under the First SP Agreement in the accounts of the Group as at 31 March 2010 and the current estimated First Consideration which will be received by the Group under the First SP Agreement, it is expected that the Group will record a loss of approximately HK\$72.9 million upon completion of the First SP Agreement. As the First Excelsior Properties were acquired in year 2000 at a cost of about HK\$327.6 million which is well below the agreed market value of the First Excelsior Properties of HK\$780 million under the First SP Agreement, such expected loss of approximately HK\$72.9 million principally arises from a decrease of the fair value and hence the book value of the First Excelsior Properties of approximately HK\$1,013 million in the accounts of the Group as at 31 December 2009 (which value fluctuates from year to year according to HKFRS) to the current agreed market value of the First Excelsior Properties of HK\$780 million and the financial effect on adjustment of deferred tax liabilities.

Provision of free leasing agency and management services after completion of the First SP Agreement

Subject to completion of the First SP Agreement, the Company agrees to procure the Property Manager to provide certain free leasing agency and management services in respect of the First Excelsior Properties (like soliciting and dealing with tenants, rent collection and taking legal actions on behalf of Sunny Ocean) to Sunny Ocean (which will then become an associate of Mr. Lau) for a period of 3 years after completion. The provision of such free services is considered by the Group to be after-sale services for the First Excelsior Properties, which has been taken into account in the determination of the First Consideration. Sunny Ocean may at any time after the date of completion of the First SP Agreement terminate the free leasing agency and management services provided by the Property Manager in respect of the First Excelsior Properties by serving one month's notice on the Property Manager.

Undertakings

Tycoon City has undertaken to Gold Horse that if so requested by Gold Horse, it will give and/or procure the provision of such guarantee or security as may be reasonably required by any person (the “**First Beneficiary**”) who was given any guarantee, surety, security or indemnity by a member of the Group (excluding the Target Companies) in respect of the obligations or liabilities of Global Smart and/or Sunny Ocean (“**First CE Guarantee**”) in order to procure that the obligations or liabilities secured or guaranteed under all the First CE Guarantee shall with effect from the completion of the First SP Agreement no longer cover the outstanding loan owed by Global Smart and Sunny Ocean to the First Beneficiary.

LETTER FROM THE BOARD

Financing

Gold Horse has agreed that if Tycoon City needs to raise loans from banks or third parties for payment of the First Provisional Consideration or the First Consideration on the basis of Global Smart and/or Sunny Ocean providing securities (including those on the First Excelsior Properties) to such banks or third parties, subject to compliance with all applicable laws and regulations, Gold Horse will procure Global Smart and/or Sunny Ocean to give reasonable assistance to Tycoon City prior to or at the completion of the First SP Agreement to facilitate the provision of such securities by Global Smart and/or Sunny Ocean upon completion of the First SP Agreement.

Information of Global Smart and Sunny Ocean

Global Smart is an investment holding company incorporated in BVI and a direct wholly-owned subsidiary of Gold Horse. After completion of the First SP Agreement, Tycoon City will become the beneficial owner of the entire issued share capital of Global Smart and Global Smart will cease to be a subsidiary of the Company. As at the Latest Practicable Date, other than Sunny Ocean, Global Smart did not have any other material assets.

Sunny Ocean is an investment holding company incorporated in BVI and a direct wholly-owned subsidiary of Global Smart. After completion of the First SP Agreement, Sunny Ocean will cease to be a subsidiary of the Company. As at the Latest Practicable Date, other than the First Excelsior Properties, Sunny Ocean did not have any other material assets.

A summary of the unaudited consolidated results of Global Smart and Sunny Ocean for each of the two years ended 31 December 2008 and 2009 is set out below.

	For the year ended 31 December 2008 (HK\$ million)	For the year ended 31 December 2009 (HK\$ million)
Turnover	18.5	18.3
Fair value changes on investment properties	(226.0)	439.0
(Loss)/profit before taxation	(219.9)	445.1
(Loss)/profit after taxation	(176.0)	371.6
(Loss)/profit attributable to the equity holder	(176.0)	371.6

As at 31 March 2010, the unaudited consolidated net asset value of Global Smart and Sunny Ocean was approximately HK\$571.8 million and the aggregate amount of the First Sale Loan was approximately HK\$279.3 million.

LETTER FROM THE BOARD

Information on the First Excelsior Properties

Sunny Ocean is the owner of the First Excelsior Properties, which are currently leased to third parties for rental income and whose details are set out below:

The First Excelsior Properties	Usage	Attributable interests to the Group
Shop Nos. 1 to 3 and 6 to 12 on Ground Floor and Unit Nos. 6 to 11 on 1st Floor of Yee On Building and Shop Nos. 21, 23 and 24 on Ground Floor of Chee On Building together with the External Walls on Ground Floor, 1st Floor and 2nd Floor and the Main Roof of Yee On Building, Excelsior Plaza, Nos. 24-26 East Point Road, Causeway Bay, Hong Kong	Commercial	100%

(2) The Second SP Agreement

Parties:

- (a) Gold Horse, as vendor;
- (b) the Company, as vendor's guarantor;
- (c) Energy Kingdom (an investment holding company wholly-owned by Mr. Lau), as purchaser; and
- (d) Mr. Lau, as purchaser's guarantor.

In consideration of Energy Kingdom entering into the Second SP Agreement, the Company has agreed to guarantee the performance by Gold Horse of its obligations under the Second SP Agreement. In consideration of Gold Horse entering into the Second SP Agreement, Mr. Lau has agreed to guarantee the performance by Energy Kingdom of its obligations under the Second SP Agreement.

Assets to be disposed

The ten shares beneficially owned by Gold Horse, representing the entire issued share capital of Jolly Gain ("**Second Sale Shares**") and all sums due or owing by Jolly Gain and/or Viewide to members of the Group (other than the Target Companies) as at the date of completion of the Second SP Agreement ("**Second Sale Loan**"). As at 31 March 2010, the Second Sale Loan amounted to approximately HK\$667.5 million. Energy Kingdom further agreed to assume the obligation for repaying the Second Assumed Debt by way of novation upon completion of the Second SP Agreement. As at 31 March 2010, the Second Assumed Debt amounted to approximately HK\$66 million.

LETTER FROM THE BOARD

The Second Sale Shares to be acquired by Energy Kingdom shall be free from any mortgages, charges, liens, pledges, options and third party claims or other encumbrances (if any) at completion of the Second SP Agreement and with all dividends, benefits and other rights becoming attached or accruing thereto as from the completion date of the Second SP Agreement.

Consideration

The aggregate consideration for the purchase of the Second Sale Shares and the Second Sale Loan (the “**Second Consideration**”) shall be equal to the aggregate of:—

- (a) the consolidated or combined net asset value or liability of Jolly Gain and Viewide (for the purpose of ascertaining such net asset value or liability, Energy Kingdom accepts that the Second Excelsior Properties shall have a value of HK\$1,370 million), adjusted by adding the net deferred tax liabilities or deducting the net deferred tax assets, as the case may be, as shown in the Second Completion Accounts;
- (b) the aggregate face amount of the Second Sale Loan, less the aggregate face amount of the Second Assumed Debt; and
- (c) an amount of HK\$17,551,733.33 (being the provision for diminution in amount due to Jolly Gain and/or Viewide by London Square Company Limited, a member of the Group, which provision will be provided for or recognised in the Second Completion Accounts).

If the Second Consideration is a negative figure or less than HK\$2.00, it shall be deemed to be HK\$2.00.

Under the Second SP Agreement, the Second Consideration shall not exceed a cap amount of HK\$1,450 million, and was determined after arm’s length negotiations between Gold Horse and Energy Kingdom with reference to the consolidated or combined net asset value or liability of Jolly Gain and Viewide as shown in the Second Completion Accounts, which shall take into account the market value of the Second Excelsior Properties which was valued by an independent property valuer at HK\$1,370 million as at 17 May 2010. In addition, the determination of the Second Consideration has taken into account the provision of certain free leasing agency and management services for the Second Excelsior Properties by the Group after completion of the Second SP Agreement as mentioned in the paragraph headed “Provision of free leasing agency and management services after completion of the Second SP Agreement” below. The estimated cost of providing such services is comparatively minimal to the amount of the estimated consideration to be received under the Second SP Agreement. The Directors consider that such consideration and the relevant cap amount are fair and reasonable.

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Under the Second SP Agreement, which was entered into on normal commercial terms, the parties thereto have agreed that the Second Consideration shall be paid by Energy Kingdom by means of paying a sum of HK\$1,359,494,378.33 as the provisional consideration (the “**Second Provisional Consideration**”) first upon completion of the Second SP Agreement and the difference between the Second Provisional Consideration and the Second Consideration will be settled in cash between the parties after the Second Completion Accounts have become available. The Second Provisional Consideration was determined by reference to the market value of the Second Excelsior Properties of HK\$1,370 million as at 17 May 2010 as mentioned above and the consolidated or combined net asset value of Jolly Gain and Viewide as at 31 March 2010.

Based on the book value of the subject assets to be sold under the Second SP Agreement in the accounts of the Group as at 31 March 2010 and the current estimated Second Consideration which will be received by the Group under the Second SP Agreement, it is expected that the Group will record a loss of approximately HK\$751.5 million upon completion of the Second SP Agreement. As the Second Excelsior Properties were acquired in year 2001 at a cost of about HK\$668 million which is well below the agreed market value of the Second Excelsior Properties of HK\$1,370 million under the Second SP Agreement, such expected loss of approximately HK\$751.5 million principally arises from a decrease of the fair value and hence the book value of the Second Excelsior Properties of approximately HK\$2,413.5 million in the accounts of the Group as at 31 December 2009 (which value fluctuates from year to year according to HKFRS) to the current agreed market value of the Second Excelsior Properties of HK\$1,370 million and the financial effect on adjustment of deferred tax liabilities.

Provision of free leasing agency and management services after completion of the Second SP Agreement

Subject to completion of the Second SP Agreement, the Company agrees to procure the Property Manager to provide certain free leasing agency and management services in respect of the Second Excelsior Properties (like soliciting and dealing with tenants, rent collection and taking legal actions on behalf of Viewide) to Viewide (which will then become an associate of Mr. Lau) for a period of 3 years after completion. The provision of such free services is considered by the Group to be after-sale services for the Second Excelsior Properties, which has been taken into account in the determination of the Second Consideration. Viewide may at any time after the date of completion of the Second SP Agreement terminate the free leasing agency and management services provided by the Property Manager in respect of the Second Excelsior Properties by serving one month’s notice on the Property Manager.

Undertakings

Energy Kingdom has undertaken to Gold Horse that if so requested by Gold Horse, it will give and/or procure the provision of such guarantee or security as may be reasonably required by any person (the “**Second Beneficiary**”) who was given any guarantee, surety, security or indemnity by a member of the Group (excluding the Target Companies) in

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respect of the obligations or liabilities of Jolly Gain and/or Viewide (“**Second CE Guarantee**”) in order to procure that the obligations or liabilities secured or guaranteed under all the Second CE Guarantees shall with effect from the completion of the Second SP Agreement no longer cover the outstanding loan owed by Jolly Gain and Viewide to the Second Beneficiary.

Financing

Gold Horse has agreed that if Energy Kingdom needs to raise loans from banks or third parties for payment of the Second Provisional Consideration or the Second Consideration on the basis of Jolly Gain and/or Viewide providing securities (including those on the Second Excelsior Properties) to such banks or third parties, subject to compliance with all applicable laws and regulations, Gold Horse will procure Jolly Gain and/or Viewide to give reasonable assistance to Energy Kingdom prior to or at the completion of the Second SP Agreement to facilitate the provision of such securities by Jolly Gain and/or Viewide upon completion of the Second SP Agreement.

Information of Jolly Gain and Viewide

Jolly Gain is an investment holding company incorporated in BVI and a direct wholly-owned subsidiary of Gold Horse. After completion of the Second SP Agreement, Energy Kingdom will become the beneficial owner of the entire issued share capital of Jolly Gain and Jolly Gain will cease to be a subsidiary of the Company. As at the Latest Practicable Date, other than Viewide, Jolly Gain did not have any other material assets.

Viewide is an investment holding company incorporated in BVI and a direct wholly-owned subsidiary of Jolly Gain. After completion of the Second SP Agreement, Viewide will cease to be a subsidiary of the Company. As at the Latest Practicable Date, other than the Second Excelsior Properties, Viewide did not have any other material assets.

A summary of the unaudited consolidated results of Jolly Gain and Viewide for each of the two years ended 31 December 2008 and 2009 is set out below.

	For the year ended 31 December 2008 (HK\$ million)	For the year ended 31 December 2009 (HK\$ million)
Turnover	74.8	85.5
Fair value change on investment property	(476.7)	586.6
(Loss)/profit before taxation	(438.3)	628.6
(Loss)/profit after taxation	(349.9)	528.4
(Loss)/profit attributable to the equity holder	(349.9)	528.4

As at 31 March 2010, the unaudited consolidated net asset value of Jolly Gain and Viewide was approximately HK\$1,509.5 million and the aggregate amount of the Second Sale Loan was approximately HK\$667.5 million.

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Information on the Second Excelsior Properties

Viewwide is the owner of the Second Excelsior Properties, which are currently leased to third parties for rental income and whose details are set out below:

The Second Excelsior Properties	Usage	Attributable interests to the Group
1. Shop No. 31 on 1st Floor, Shop No. 32 (Part) on Ground Floor, 1st Floor and 2nd Floor, Shop No. 32 (Part) on 2nd Floor, External Walls on Ground Floor, 1st Floor and 2nd Floor, Reserved shares for the Naming Right in respect of Ground Floor, 1st Floor and 2nd Floor and Main Roof of Chee On Building of Excelsior Plaza, No. 24 East Point Road, Causeway Bay, Hong Kong;	Commercial	100%
2. Reserved Area (Unit G) on 2nd Floor, Shop No. 32 (Part) on 2nd Floor and Reserved shares of and in the Land and Yee On Building forming part of the Excelsior Plaza in respect of Ground Floor, 1st Floor and 2nd Floor of Yee On Building of Excelsior Plaza, No. 26 East Point Road, Causeway Bay, Hong Kong; and	Commercial	100%
3. Shop No. 32 (Part) on 2nd Floor, External Walls and 5 Reserved shares of and in the Land and the Annex Land Building forming part of the Excelsior Plaza in respect of Ground Floor, 1st Floor and 2nd Floor, and all that portion of the External Walls (Elevation Behind Escalator) of the Annex Land Building of Excelsior Plaza, Nos. 24-26 East Point Road, Causeway Bay, Hong Kong.	Commercial	100%

(3) The Third SP Agreement

Parties:

- (a) Gold Horse, as vendor;
- (b) the Company, as vendor's guarantor;

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- (c) Tycoon City (an investment holding company wholly-owned by Mr. Lau), as purchaser; and
- (d) Mr. Lau, as purchaser's guarantor.

In consideration of Tycoon City entering into the Third SP Agreement, the Company has agreed to guarantee the performance by Gold Horse of its obligations under the Third SP Agreement. In consideration of Gold Horse entering into the Third SP Agreement, Mr. Lau has agreed to guarantee the performance by Tycoon City of its obligations under the Third SP Agreement.

Assets to be disposed

The one share beneficially owned by Gold Horse, representing the entire issued share capital of Dynamic Source ("**Third Sale Share**") and all sums due or owing by Dynamic Source and/or Bingo Castle to members of the Group (other than the Target Companies) as at the date of completion of the Third SP Agreement ("**Third Sale Loan**"). As at 31 March 2010, the Third Sale Loan amounted to approximately HK\$35,430.2. Tycoon City further agreed to assume the obligation for repaying the Third Assumed Debt by way of novation upon completion of the Third SP Agreement. As at 31 March 2010, there was no Third Assumed Debt.

The Third Sale Share to be acquired by Tycoon City shall be free from any mortgages, charges, liens, pledges, options and third party claims or other encumbrances (if any) at completion of the Third SP Agreement and with all dividends, benefits and other rights becoming attached or accruing thereto as from the completion date of the Third SP Agreement.

Consideration

The aggregate consideration for the purchase of the Third Sale Share and the Third Sale Loan (the "**Third Consideration**") shall be equal to the aggregate of:—

- (a) the consolidated or combined net asset value or liability of Dynamic Source and Bingo Castle, adjusted by adding the net deferred tax liabilities or deducting the net deferred tax assets, as the case may be, as shown in the Third Completion Accounts; and
- (b) the aggregate face amount of the Third Sale Loan, less the aggregate face amount of the Third Assumed Debt.

If the Third Consideration is a negative figure or less than HK\$2.00, it shall be deemed to be HK\$2.00.

Under the Third SP Agreement, the Third Consideration shall not exceed a cap amount of HK\$200,000, and was determined after arm's length negotiations between Gold Horse and Tycoon City with reference to the consolidated or combined net asset value or liability of Dynamic Source and Bingo Castle as shown in the Third Completion Accounts. The Directors consider that such consideration and the relevant cap amount are fair and reasonable.

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Under the Third SP Agreement, which was entered into on normal commercial terms, the parties thereto have agreed that the Third Consideration shall be paid by Tycoon City by means of paying a sum of HK\$2.00 as the provisional consideration (the “**Third Provisional Consideration**”) first upon completion of the Third SP Agreement and the difference between the Third Provisional Consideration and the Third Consideration will be settled in cash between the parties after the Third Completion Accounts have become available. The Third Provisional Consideration was determined by reference to the consolidated or combined net liability of Dynamic Source and Bingo Castle as at 31 March 2010.

Based on the book value of the subject assets to be sold under the Third SP Agreement in the accounts of the Group as at 31 March 2010 and the current estimated Third Consideration which will be received by the Group under the Third SP Agreement, it is expected that no gain or loss will result from completion of the Third SP Agreement.

Undertakings

Tycoon City has undertaken to Gold Horse that if so requested by Gold Horse, it will give and/or procure the provision of such guarantee or security as may be reasonably required by any person (the “**Third Beneficiary**”) who was given any guarantee, surety, security or indemnity by a member of the Group (excluding the Target Companies) in respect of the obligations or liabilities of Dynamic Source and/or Bingo Castle (“**Third CE Guarantee**”) in order to procure that the obligations or liabilities secured or guaranteed under all the Third CE Guarantees shall with effect from the completion of the Third SP Agreement no longer cover the outstanding loan owed by Dynamic Source and Bingo Castle to the Third Beneficiary.

Financing

Gold Horse has agreed that if Tycoon City needs to raise loans from banks or third parties for payment of the Third Provisional Consideration or the Third Consideration on the basis of Dynamic Source and/or Bingo Castle providing securities to such banks or third parties, subject to compliance with all applicable laws and regulations, Gold Horse will procure Dynamic Source and/or Bingo Castle to give reasonable assistance to Tycoon City prior to or at the completion of the Third SP Agreement to facilitate the provision of such securities by Dynamic Source and/or Bingo Castle upon completion of the Third SP Agreement.

Information of Dynamic Source and Bingo Castle

Dynamic Source is an investment holding company incorporated in BVI and a direct wholly-owned subsidiary of Gold Horse. After completion of the Third SP Agreement, Tycoon City will become the beneficial owner of the entire issued share capital of Dynamic Source and Dynamic Source will cease to be a subsidiary of the Company. As at the Latest Practicable Date, other than Bingo Castle, Dynamic Source did not have any other material assets.

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Bingo Castle is an investment holding company incorporated in BVI and a direct wholly-owned subsidiary of Dynamic Source. After completion of the Third SP Agreement, Bingo Castle will cease to be a subsidiary of the Company. As at the Latest Practicable Date, Bingo Castle did not have any other material assets other than having entered into a license agreement with Sunny Ocean for obtaining a license in respect of the property “Signage space on the external cladding besides Shop No. 21 on the Ground Floor of Excelsior Plaza, Chee On Building, No. 24 East Point Road, Causeway Bay, Hong Kong” owned by Sunny Ocean and then sublicensing such licensed property to an independent third party.

A summary of the unaudited consolidated results of Dynamic Source and Bingo Castle for the period ended 31 December 2009 is set out below:

	For the period ended 31 December 2009 (HK\$)
Turnover	—
Loss before taxation	(32,760)
Loss after taxation	(32,760)
Loss attributable to the equity holder	(32,760)

As at 31 March 2010, the unaudited consolidated net liability of Dynamic Source and Bingo Castle was approximately HK\$35,430.2 and the aggregate amount of the Third Sale Loan was approximately HK\$35,430.2.

(4) The Fourth SP Agreement

Parties:

- (a) Fair City, as vendor;
- (b) the Company, as vendor’s guarantor;
- (c) Glory City (an investment holding company wholly-owned by Mr. Lau), as purchaser; and
- (d) Mr. Lau, as purchaser’s guarantor.

In consideration of Glory City entering into the Fourth SP Agreement, the Company has agreed to guarantee the performance by Fair City of its obligations under the Fourth SP Agreement. In consideration of Fair City entering into the Fourth SP Agreement, Mr. Lau has agreed to guarantee the performance by Glory City of its obligations under the Fourth SP Agreement.

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Assets to be disposed

The First York Place Property, whose details are set out in the paragraph headed “Information on the First York Place Property” below.

Consideration

The consideration for the purchase of the First York Place Property (the “**Fourth Consideration**”) is HK\$50 million, which shall be paid by Glory City to Fair City upon completion of the Fourth SP Agreement.

The Fourth Consideration was determined after arm’s length negotiations between Fair City and Glory City with reference to the market value of the First York Place Property which was valued by an independent property valuer at HK\$50 million as at 17 May 2010. In addition, the determination of the Fourth Consideration has taken into account the provision of certain free leasing agency and management services for the First York Place Property by the Group after completion of the Fourth SP Agreement as mentioned in the paragraph headed “Provision of free leasing agency and management services after completion of the Fourth SP Agreement” below. The estimated cost of providing such services is comparatively minimal to the amount of the consideration to be received under the Fourth SP Agreement. The Directors consider that such consideration is fair and reasonable.

Based on the book value of the First York Place Property in the accounts of the Group as at 31 March 2010 and the amount of the consideration which will be received by the Group under the Fourth SP Agreement, it is expected that the Group will record a profit of approximately HK\$14.6 million upon completion of the Fourth SP Agreement.

Provision of free leasing agency and management services after completion of the Fourth SP Agreement

Subject to completion of the Fourth SP Agreement, the Company agrees to procure the Property Manager to provide certain free leasing agency and management services in respect of the First York Place Property (like soliciting and dealing with tenants, rent collection and taking legal actions on behalf of Glory City) to Glory City for a period of 3 years after completion. The provision of such free services is considered by the Group to be after-sale services for the First York Place Property, which has been taken into account in the determination of the Fourth Consideration. Glory City may at any time after the date of completion of the Fourth SP Agreement terminate the free leasing agency and management services provided by the Property Manager in respect of the First York Place Property by serving one month’s notice on the Property Manager.

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Information on the First York Place Property

Fair City is the owner of the First York Place Property. The net book value of the First York Place Property in the accounts of Fair City is approximately HK\$35.4 million as at 31 March 2010. Under the Fourth SP Agreement, the First York Place Property shall be sold by Fair City to Glory City free from any mortgages, charges or other encumbrances. The First York Place Property was property developed by the Group. The Group has not let such property to third parties after completion of the development in March 2009 up to the Latest Practicable Date. Details of the First York Place Property are as follows:

The First York Place Property	Usage	Attributable interests to the Group
Shop 1, York Place, No. 22 Johnston Road, Hong Kong	Commercial	100%

(5) The Fifth SP Agreement

Parties:

- (a) Fair City, as vendor;
- (b) the Company, as vendor's guarantor;
- (c) Rich Force (an investment holding company wholly-owned by Mr. Lau), as purchaser; and
- (d) Mr. Lau, as purchaser's guarantor.

In consideration of Rich Force entering into the Fifth SP Agreement, the Company has agreed to guarantee the performance by Fair City of its obligations under the Fifth SP Agreement. In consideration of Fair City entering into the Fifth SP Agreement, Mr. Lau has agreed to guarantee the performance by Rich Force of its obligations under the Fifth SP Agreement.

Assets to be disposed

The Second York Place Property, whose details are set out in the paragraph headed "Information on the Second York Place Property" below.

Consideration

The consideration for the purchase of the Second York Place Property (the "**Fifth Consideration**") is HK\$70 million, which shall be paid by Rich Force to Fair City upon completion of the Fifth SP Agreement.

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The Fifth Consideration was determined after arm's length negotiations between Fair City and Rich Force with reference to the market value of the Second York Place Property which was valued by an independent property valuer at HK\$70 million as at 17 May 2010. In addition, the determination of the Fifth Consideration has taken into account the provision of certain free leasing agency and management services for the Second York Place Property by the Group after completion of the Fifth SP Agreement as mentioned in the paragraph headed "Provision of free leasing agency and management services after completion of the Fifth SP Agreement" below. The estimated cost of providing such services is comparatively minimal to the amount of the consideration to be received under the Fifth SP Agreement. The Directors consider that such consideration is fair and reasonable.

Based on the book value of the Second York Place Property in the accounts of the Group as at 31 March 2010 and the amount of the consideration which will be received by the Group under the Fifth SP Agreement, it is expected that the Group will record a profit of approximately HK\$19.3 million upon completion of the Fifth SP Agreement.

Provision of free leasing agency and management services after completion of the Fifth SP Agreement

Subject to completion of the Fifth SP Agreement, the Company agrees to procure the Property Manager to provide certain free leasing agency and management services in respect of the Second York Place Property (like soliciting and dealing with tenants, rent collection and taking legal actions on behalf of Rich Force) to Rich Force for a period of 3 years after completion. The provision of such free services is considered by the Group to be after-sale services for the Second York Place Property, which has been taken into account in the determination of the Fifth Consideration. Rich Force may at any time after the date of completion of the Fifth SP Agreement terminate the free leasing agency and management services provided by the Property Manager in respect of the Second York Place Property by serving one month's notice on the Property Manager.

Information on the Second York Place Property

Fair City is the owner of the Second York Place Property. The net book value of the Second York Place Property in the accounts of Fair City is approximately HK\$50.7 million as at 31 March 2010. Under the Fifth SP Agreement, the Second York Place Property shall be sold by Fair City to Rich Force free from any mortgages, charges or other encumbrances. The Second York Place Property was property developed by the Group. The Group has not let such property to third parties after completion of the development in March 2009 up to the Latest Practicable Date. Details of the Second York Place Property are as follows:

The Second York Place Property	Usage	Attributable interests to the Group
Shop 2, York Place, No. 22 Johnston Road, Hong Kong	Commercial	100%

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(6) The Sixth SP Agreement

Parties:

- (a) Gold Horse, as vendor;
- (b) the Company, as vendor's guarantor;
- (c) Smart Object (an investment holding company wholly-owned by Mr. Lau), as purchaser; and
- (d) Mr. Lau, as purchaser's guarantor.

In consideration of Smart Object entering into the Sixth SP Agreement, the Company has agreed to guarantee the performance by Gold Horse of its obligations under the Sixth SP Agreement. In consideration of Gold Horse entering into the Sixth SP Agreement, Mr. Lau has agreed to guarantee the performance by Smart Object of its obligations under the Sixth SP Agreement.

Assets to be disposed

The one share beneficially owned by Gold Horse, representing the entire issued share capital of Grand Lucky ("**Sixth Sale Share**") and all sums due or owing by Grand Lucky and/or Baharica to members of the Group (other than the Target Companies) as at the date of completion of the Sixth SP Agreement ("**Sixth Sale Loan**"). As at 31 March 2010, the Sixth Sale Loan amounted to approximately HK\$2.8 million. Smart Object further agreed to assume the obligation for repaying the Sixth Assumed Debt (if any) by way of novation upon completion of the Sixth SP Agreement. As at 31 March 2010, the Sixth Assumed Debt amounted to approximately HK\$549.8 million.

The Sixth Sale Share to be acquired by Smart Object shall be free from any mortgages, charges, liens, pledges, options and third party claims or other encumbrances (if any) at completion of the Sixth SP Agreement and with all dividends, benefits and other rights becoming attached or accruing thereto as from the completion date of the Sixth SP Agreement.

Consideration

The aggregate consideration for the purchase of the Sixth Sale Share and the Sixth Sale Loan (the "**Sixth Consideration**") shall be equal to the aggregate of:—

- (a) the consolidated or combined net asset value or liability of Grand Lucky and Baharica (for the purpose of ascertaining such net asset value or liability, Smart Object accepts that the Southorn Centre Properties shall have a value of HK\$1,128 million), adjusted by adding the net deferred tax liabilities or deducting the net deferred tax assets, as the case may be, as shown in the Sixth Completion Accounts; and

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- (b) the aggregate face amount of the Sixth Sale Loan, less the aggregate face amount of the Sixth Assumed Debt.

If the Sixth Consideration is a negative figure or less than HK\$2.00, it shall be deemed to be HK\$2.00.

Under the Sixth SP Agreement, the Sixth Consideration shall not exceed a cap amount of HK\$1,250 million, and was determined after arm's length negotiations between Gold Horse and Smart Object with reference to the consolidated or combined net asset value or liability of Grand Lucky and Baharica as shown in the Sixth Completion Accounts, which shall take into account the market value of the Southorn Centre Properties which was valued by an independent property valuer at HK\$1,128 million as at 17 May 2010. In addition, the determination of the Sixth Consideration has taken into account the provision of certain free leasing agency and management services for the Southorn Centre Properties by the Group after completion of the Sixth SP Agreement as mentioned in the paragraph headed "Provision of free leasing agency and management services after completion of the Sixth SP Agreement" below. The estimated cost of providing such services is comparatively minimal to the amount of the estimated consideration to be received under the Sixth SP Agreement. The Directors consider that such consideration and the relevant cap amount are fair and reasonable.

Under the Sixth SP Agreement, which was entered into on normal commercial terms, the parties thereto have agreed that the Sixth Consideration shall be paid by Smart Object by means of paying a sum of HK\$329,663,689.87 (assuming no repayment of bank loan owed by Baharica) or HK\$1,124,663,689.87 (assuming repayment of bank loan owed by Baharica and such repayment is financed by the Group (other than the Target Companies)) as the provisional consideration (the "**Sixth Provisional Consideration**") first upon completion of the Sixth SP Agreement and the difference between the Sixth Provisional Consideration and the Sixth Consideration will be settled in cash between the parties after the Sixth Completion Accounts have become available. The Sixth Provisional Consideration was determined by reference to the market value of the Southorn Centre Properties of HK\$1,128 million as at 17 May 2010 as mentioned above and the consolidated or combined net asset value of Grand Lucky and Baharica as at 31 March 2010.

Based on the book value of the subject assets to be sold under the Sixth SP Agreement in the accounts of the Group as at 31 March 2010 and the current estimated Sixth Consideration which will be received by the Group under the Sixth SP Agreement, it is expected that the Group will record a loss of approximately HK\$440.7 million upon completion of the Sixth SP Agreement. As the Southorn Centre Properties were acquired in year 1999 at a cost of about HK\$440 million which is well below the agreed market value of the Southorn Centre Properties of HK\$1,128 million under the Sixth SP Agreement, such expected loss of approximately HK\$440.7 million principally arises from a decrease of the fair value and hence the book value of the Southorn Centre Properties of approximately HK\$1,818 million in the accounts of the Group as at 31 December 2009 (which value fluctuates from year to year according to HKFRS) to the current agreed market value of the Southorn Centre Properties of HK\$1,128 million and the financial effect on adjustment of deferred tax liabilities.

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Provision of free leasing agency and management services after completion of the Sixth SP Agreement

Subject to completion of the Sixth SP Agreement, the Company agrees to procure the Property Manager to provide certain free leasing agency and management services in respect of the Southorn Centre Properties (like soliciting and dealing with tenants, rent collection and taking legal actions on behalf of Baharica) to Baharica (which will then become an associate of Mr. Lau) for a period of 3 years after completion. The provision of such free services is considered by the Group to be after-sale services for the Southorn Centre Properties, which has been taken into account in the determination of the Sixth Consideration. Baharica may at any time after the date of completion of the Sixth SP Agreement terminate the free leasing agency and management services provided by the Property Manager in respect of the Southorn Centre Properties by serving one month's notice on the Property Manager.

Undertakings

Smart Object has undertaken to Gold Horse that if so requested by Gold Horse, it will give and/or procure the provision of such guarantee or security as may be reasonably required by any person (the “**Sixth Beneficiary**”) who was given any guarantee, surety, security or indemnity by a member of the Group (excluding the Target Companies) in respect of the obligations or liabilities of Grand Lucky and/or Baharica (“**Sixth CE Guarantee**”) in order to procure that the obligations or liabilities secured or guaranteed under all the Sixth CE Guarantee shall with effect from the completion of the Sixth SP Agreement no longer cover the outstanding loan owed by Grand Lucky and Baharica to the Sixth Beneficiary.

Financing

Gold Horse has agreed that if Smart Object needs to raise loans from banks or third parties for payment of the Sixth Provisional Consideration or the Sixth Consideration on the basis of Grand Lucky and/or Baharica providing securities (including those on the Southorn Centre Properties) to such banks or third parties, subject to compliance with all applicable laws and regulations, Gold Horse will procure Grand Lucky and/or Baharica to give reasonable assistance to Smart Object prior to or at the completion of the Sixth SP Agreement to facilitate the provision of such securities by Grand Lucky and/or Baharica upon completion of the Sixth SP Agreement.

Information of Grand Lucky and Baharica

Grand Lucky is an investment holding company incorporated in BVI and a direct wholly-owned subsidiary of Gold Horse. After completion of the Sixth SP Agreement, Smart Object will become the beneficial owner of the entire issued share capital of Grand Lucky and Grand Lucky will cease to be a subsidiary of the Company. As at the Latest Practicable Date, other than Baharica, Grand Lucky did not have any other material assets.

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Baharica is an investment holding company incorporated in Hong Kong and a direct wholly-owned subsidiary of Grand Lucky. After completion of the Sixth SP Agreement, Baharica will cease to be a subsidiary of the Company. As at the Latest Practicable Date, other than the Southorn Centre Properties, Baharica did not have any other material assets.

A summary of the unaudited consolidated results of Grand Lucky and Baharica for each of the two years ended 31 December 2008 and 2009 is set out below:

	For the year ended 31 December 2008 (HK\$ million)	For the year ended 31 December 2009 (HK\$ million)
Turnover	75.0	73.9
Fair value changes on investment properties	(271.0)	374.0
(Loss)/profit before taxation	(225.4)	424.1
(Loss)/profit after taxation	(174.2)	354.1
(Loss)/profit attributable to the equity holder	(174.2)	354.1

As at 31 March 2010, the unaudited consolidated net asset value of Grand Lucky and Baharica was approximately HK\$1,317.4 million and the aggregate amount of the Sixth Sale Loan was approximately HK\$2.7 million.

Information on the Southorn Centre Properties

Baharica is the owner of the Southorn Centre Properties, which are currently leased to third parties for rental income and whose details are set out below:

The Southorn Centre Properties	Usage	Attributable interests to the Group
1. Shop No. 2 and Shop No. 3 on Ground Floor, Southorn Centre, No. 150 Hennessy Road, Hong Kong;	Commercial	100%
2. Commercial Accommodation on 1st Floor and 2nd Floor, Southorn Centre, No. 130 Hennessy Road, Hong Kong; and	Commercial	100%
3. Staircase facing O'Brien Road (for Exclusive Use to Commercial Accommodation on 1/F & 2/F Southorn Centre), Ground Floor Service Lift Area (for Exclusive Use to Commercial Accommodation on 1/F & 2/F Southorn Centre) and Staircase facing Hennessy Road (for Exclusive Use to Commercial Accommodation on 1/F & 2/F Southorn Centre), No. 130 Hennessy Road, Hong Kong.	Commercial	100%

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C. CONDITION

Completion of each of the SP Agreements is conditional upon the satisfaction of the condition precedent that all necessary approvals by the Independent Shareholders at the SGM in a manner as required by the Stock Exchange or under the Listing Rules, the bye-laws of the Company and the applicable legislation have been obtained. As explained in the paragraph headed “Listing Rules Implications for the Continuing Connected Transactions” in this “Letter from the Board” below, the CCT Transactions are exempted from the Independent Shareholders’ approval requirement under the Listing Rules. Therefore, only Independent Shareholders’ approval for the SP Agreements will be sought at the SGM.

If the above condition precedent is not fulfilled on or before 30 September 2010 (or such later date as may be agreed between the respective vendor and purchaser of each of the SP Agreements), the SP Agreements shall thereupon terminate whereupon none of the parties shall have any claim against the other for costs, damages, compensation or otherwise (save in respect of any prior breach).

D. COMPLETION

Subject to the above condition precedent having been satisfied, completion of each of the SP Agreements shall take place on a Business Day to be selected and notified in writing by the respective purchaser to the respective vendor of each of the SP Agreements for the purpose of completion after the satisfaction of the above condition precedent, provided that:—

- (a) such Business Day shall not be earlier than the third Business Day after the date of the Selection Notice;
- (b) such Business Day shall fall within the period of 120 days after the date on which the above condition precedent has been satisfied; and
- (c) if no Selection Notice is given by the respective purchaser to the SP Agreements, the completion date shall be the last Business Day during the aforesaid 120-day period.

The SP Agreements need not be completed simultaneously and their completion can take place on different dates.

Based on the book value of the subject assets to be sold under the SP Agreements in the accounts of the Group as at 31 March 2010 and the current estimated aggregate consideration which will be received by the Group under the Disposal Transactions, it is expected that the Group will record a loss of approximately HK\$1,231.2 million upon completion of the Disposal Transactions. On the other hand, based on the acquisition cost of the First Excelsior Properties, Second Excelsior Properties and Southorn Centre Properties, together with the book cost of the First York Place Property and Second York Place Property, and the current estimated aggregate consideration which will be received by the Group under the Disposal Transactions, it is expected that the Group will realise an accumulated net profit of approximately HK\$1,876.4 million from the years of acquisition of the Properties to date of completion of the SP Agreements.

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E. REASONS FOR THE DISPOSAL TRANSACTIONS

The Group is principally engaged in property investment and development, brokerage, securities investment, money lending and cosmetics distribution and trading.

The disposals under the various SP Agreements will provide a good opportunity for the Group to realise a sizeable portion of retail property portfolio in Hong Kong and provide additional funding for the Group to pursue property and other investment opportunities when available.

As the consideration of the property interests under the various SP Agreements are determined by reference to the market value of the property interests from an independent property valuer and the remaining assets and liabilities (other than property interests and deferred tax liabilities) of the target companies are determined by their face values on a dollar-to-dollar basis, the Directors consider that the consideration and the terms of each of the SP Agreements are fair and reasonable and are on normal commercial terms and in the interests of the Group and the Shareholders as a whole.

F. USE OF PROCEEDS

Upon completion of various SP Agreements, the Group is expected to receive cash in the sum of approximately HK\$2,587.4 million (assuming no repayment of bank loan owed by Baharica under the Sixth SP Agreement) or HK\$3,382.4 million (assuming repayment of bank loan owed by Baharica and such repayment is financed by the Group (other than the Target Companies) under the Sixth SP Agreement). In the latter case, however, the net cash inflow to the Group under the Disposal Transactions is still approximately HK\$2,587.4 million because though the Group will receive an additional sum of about HK\$795.0 million from Smart Object under the Sixth SP Agreement in the latter case, the Group needs to pay off the bank loan of about HK\$795.0 million owed by Baharica upon or before completion of the Sixth SP Agreement, thus offsetting the additional sum of about HK\$795.0 million to be received from Smart Object under the Sixth SP Agreement.

If the SP Agreements are approved by Independent Shareholders at the SGM, it is intended that a special dividend of HK40 cents per share or approximately HK\$780.0 million be proposed for distribution to the Shareholders at the board meeting approving the interim results of the Group for the half year ending 30 June 2010. The remaining net proceeds will be used partly for repayment of existing bank loans and partly as general working capital of the Group. Apart from the bank loan of about HK\$795.0 million owed by Baharica which the Group may need to pay off, the Group may utilize approximately HK\$405.0 million in repayment of the Group's existing bank loans.

G. INFORMATION ON THE PURCHASERS UNDER THE SP AGREEMENTS

Each of Tycoon City, Energy Kingdom, Glory City, Rich Force and Smart Object is an investment holding company wholly-owned and established by Mr. Lau for the purpose of holding the various assets to be acquired under the SP Agreements.

LETTER FROM THE BOARD

H. COMPETING INTERESTS

After completion of the SP Agreements, Mr. Lau will through the respective purchasers of the SP Agreements hold the Properties, which compete or may compete with the properties owned by the Group for potential tenancies, especially in the core shopping area of Causeway Bay, Hong Kong where the bulk of the Properties, and the Group's self-owned prime retail property portfolio, are located. In order to manage the potential competition between Mr. Lau's interests in the Properties and the property interests of the Group, Mr. Lau has undertaken in each of the SP Agreements (except for the Third SP Agreement) that:—

- (a) so long as he and/or his associates (as defined in Chapter 1 of the Listing Rules) are the owner(s) of the relevant Properties and so long as he or his associate(s) is a director of the Company, he will not and will procure his associates not to accept or enter into any lease, tenancy or license of the relevant Properties with any potential or prospective tenant or licensee unless (i) he and/or his associates have referred the potential or prospective tenant or licensee to the Group for a potential lease, tenancy or license of the properties owned by the Group and (ii) following such referral, the Group has declined to enter into such potential lease, tenancy or license or has not notified Mr. Lau or his associate its decision to accept the potential tenant or licensee within 3 weeks of such referral; and
- (b) so long as Sunny Ocean, Viewwide, Baharica, Glory City and Rich Force are associates of Mr. Lau and so long as Mr. Lau or his associate(s) is a director of the Company, the Property Manager shall, in the provision of its free leasing agency and management services for the Properties under the relevant SP Agreements after completion of the Disposal Transactions, be entitled to recommend similar property owned by the Group to the potential tenants of the Properties for their consideration first, and only when such potential tenants refuse to consider the properties of the Group, the Property Manager shall promote the Properties to them.

The Company proposes to adopt the following measures to monitor the compliance of the above undertakings:—

- (a) a standard clause is proposed to be inserted into all the tenancy or leasing documents in respect of the Properties to be entered into between Mr. Lau or his associates and the tenants, or alternatively a side letter to be signed and given by the tenants, whereby the tenants will confirm that they have been recommended or referred to lease the properties owned by the Group before entering into the tenancy or leasing documents and that despite the recommendation or referral they do not intend to lease the properties owned by the Group or they intend to lease the properties owned by the Group but the Group has declined to lease the same to them;
- (b) where the tenants intend to lease the properties owned by the Group following the above recommendation or the referral but the Group has declined to lease the same to them, the reasons for the decline decisions will be properly recorded and documented by the Group and the relevant records will be passed to the independent non-executive Directors for information purposes annually at the same time as the submission of the tenancy or leasing documents and side letters to the independent non-executive Directors contemplated in sub-paragraph (d) below;

LETTER FROM THE BOARD

- (c) written instructions will be given by the Company to each of the staff responsible for leasing of the Properties in respect of the measures mentioned in (a) and (b) above;
- (d) copies of all such tenancy or leasing documents and side letters will be submitted to and reviewed by the independent non-executive Directors annually, together with the annual review of the continuing connected transactions under the CCT Agreements, for the purpose of monitoring the compliance of the above undertakings; and
- (e) the independent non-executive Directors will study the documents and records as provided above and discuss their findings with the responsible officers. If there is anything unusual, the independent non-executive Directors will ask for, and evaluate the adequacy of, the explanations. If the explanations are not acceptable to them, the independent non-executive Directors will propose additional measures and internal procedures which they may consider necessary or desirable for redressing the problems or deficiencies identified or better monitoring of the compliance of the above undertakings. In addition, the independent non-executive Directors will disclose the result of their review in the annual report. In the course of their review, the independent non-executive Directors may seek independent legal and/or financial advice, and (if necessary) commission independent third party to carry out a full and thorough investigation into the unusual matters and make recommendations to them on ways of redressing the problems, and upon completion of the investigation, depending on the seriousness of the outcome, take appropriate remedial measures to safeguard the interests of the Company and its Shareholders as a whole.

The Board considers that the above measures are able to help resolve the potential competition conflict between Mr. Lau and the Group that may follow from completion of the Disposal Transactions.

I. LISTING RULES IMPLICATIONS FOR DISPOSAL TRANSACTIONS

As Mr. Lau, who held 1,429,643,768 Shares, representing approximately 74.43% of the total issued Shares as at the Latest Practicable Date, is a director and the sole beneficial owner of the respective purchaser of each of the SP Agreements, the Disposal Transactions constitute connected transactions for the Company under Rule 14A.13(1)(a) of the Listing Rules. The Disposal Transactions will therefore be subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. As the applicable percentage ratios under Chapter 14 of the Listing Rules for the Disposal Transactions exceed 5% but are less than 25%, the Disposal Transactions also constitute discloseable transactions for the Company.

Pursuant to the Stock Exchange Undertaking, the Company has undertaken to the Stock Exchange that it will not enter into a Specified Transaction with a Related Party which is for a consideration or in respect of a principal amount which, when aggregated with the consideration or principal amount of any other Specified Transaction(s) between the Company or any of its subsidiaries and any Related Party carried into effect during the previous twelve months, exceeds HK\$200 million, unless the approval of the Shareholders at a general meeting of the Company

LETTER FROM THE BOARD

at which the Related Party will abstain from voting is obtained. As Mr. Lau is a director and the sole beneficial owner of the respective purchaser of the SP Agreements, each of Tycoon City, Energy Kingdom, Glory City, Rich Force, Smart Object and Mr. Lau is a Related Party for the purpose of the Stock Exchange Undertaking. The Disposal Transactions will therefore constitute Specified Transactions and will be subject to the approval by the Shareholders at a general meeting of the Company at which any Shareholder who is a Related Party will abstain from voting.

J. PROPERTY MANAGEMENT AGREEMENTS

It is a term of the First SP Agreement, the Second SP Agreement and the Sixth SP Agreement that upon completion of the First SP Agreement, the Second SP Agreement and the Sixth SP Agreement respectively, the following CCT Agreements will be entered into between the Property Manager and the then owners of the First Excelsior Properties, the Second Excelsior Properties and the Southorn Centre Properties in respect of the property management of the First Excelsior Properties, the Second Excelsior Properties and the Southorn Centre Properties:—

1. the Sunny Ocean CCT Agreement, which relates to the First Excelsior Properties and shall be entered into upon completion of the First SP Agreement;
2. the Viewside CCT Agreement, which relates to the Second Excelsior Properties and shall be entered into upon completion of the Second SP Agreement; and
3. the Baharica CCT Agreement, which relates to the Southorn Centre Properties and shall be entered into upon completion of the Sixth SP Agreement.

(1) The Sunny Ocean CCT Agreement

Date:

To be dated the date of completion of the First SP Agreement (the “**First Completion Date**”).

Parties:

- (a) the Property Manager; and
- (b) Sunny Ocean, which will cease to be a subsidiary of the Company and become an associate of Mr. Lau upon completion of the First SP Agreement.

Services to be provided:

The Property Manager will provide Sunny Ocean with property management services for the First Excelsior Properties, which will include all matters relating to the management, operation, servicing, maintenance and repair of the First Excelsior Properties.

LETTER FROM THE BOARD

Term:

The Sunny Ocean CCT Agreement shall commence on the First Completion Date for a period of three years provided that it may be terminated before expiry by either party with 3 months' prior notice.

Remuneration:

Sunny Ocean shall pay the Property Manager a monthly remuneration for the provision of the property management services calculated at a rate of HK\$10.00 (or such other rate as may be agreed between the parties during the term of the Sunny Ocean CCT Agreement) per square foot of the manageable floor area of the First Excelsior Properties which are from time to time subject to management by the Property Manager under the Sunny Ocean CCT Agreement. Based on the current manageable floor area of the First Excelsior Properties of 6,530 square feet as at the Latest Practicable Date and the current agreed rate of HK\$10.00 per square foot, the monthly remuneration is HK\$65,300.

Termination by default:

Either party may terminate the Sunny Ocean CCT Agreement on the grounds of bankruptcy or winding-up of the other party or material breach by the other party of this agreement.

(2) The Viewide CCT Agreement**Date:**

To be dated the date of completion of the Second SP Agreement (the “**Second Completion Date**”).

Parties:

- (a) the Property Manager; and
- (b) Viewide, which will cease to be a subsidiary of the Company and become an associate of Mr. Lau upon completion of the Second SP Agreement.

Services to be provided:

The Property Manager will provide Viewide with property management services for the Second Excelsior Properties, which will include all matters relating to the management, operation, servicing, maintenance and repair of the Second Excelsior Properties.

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Term:

The Viewide CCT Agreement shall commence on the Second Completion Date for a period of three years provided that it may be terminated before expiry by either party with 3 months' prior notice.

Remuneration:

Viewide shall pay the Property Manager a monthly remuneration for the provision of the property management services calculated at a rate of HK\$15.50 (or such other rate as may be agreed between the parties during the term of the Viewide CCT Agreement) per square foot of the manageable floor area of the Second Excelsior Properties which are from time to time subject to management by the Property Manager under the Viewide CCT Agreement. Based on the current manageable floor area of the Second Excelsior Properties of 45,883 square feet as at the Latest Practicable Date and the current agreed rate of HK\$15.50 per square foot, the monthly remuneration is HK\$711,186.50.

Termination by default:

Either party may terminate the Viewide CCT Agreement on the grounds of bankruptcy or winding-up of the other party or material breach by the other party of this agreement.

(3) The Baharica CCT Agreement**Date:**

To be dated the date of completion of the Sixth SP Agreement (the “**Sixth Completion Date**”).

Parties:

- (a) the Property Manager; and
- (b) Baharica, which will cease to be a subsidiary of the Company and become an associate of Mr. Lau upon completion of the Sixth SP Agreement.

Services to be provided:

The Property Manager will provide Baharica with property management services for the Southorn Centre Properties, which will include all matters relating to the management, operation, servicing, maintenance and repair of the Southorn Centre Properties.

Term:

The Baharica CCT Agreement shall commence on the Sixth Completion Date for a period of three years provided that it may be terminated before expiry by either party with 3 months' prior notice.

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Remuneration:

Baharica shall pay the Property Manager a monthly remuneration for the provision of the property management services calculated at a rate of HK\$13.50 (or such other rate as may be agreed between the parties during the term of the Baharica CCT Agreement) per square foot of the manageable floor area of the Southorn Centre Properties which are from time to time subject to management by the Property Manager under the Baharica CCT Agreement. Based on the current manageable floor area of the Southorn Centre Properties of 36,716 square feet as at the Latest Practicable Date and the current agreed rate of HK\$13.50 per square foot, the monthly remuneration is HK\$495,666.

Termination by default:

Either party may terminate the Baharica CCT Agreement on the grounds of bankruptcy or winding-up of the other party or material breach by the other party of this agreement.

K. ANNUAL CAPS

On the basis of the expected manageable floor area of the First Excelsior Properties, the Second Excelsior Properties and the Southorn Centre Properties subject to the Property Manager's management under the CCT Agreements, the charge rate per square foot of the First Excelsior Properties, the Second Excelsior Properties and the Southorn Centre Properties under the relevant CCT Agreements and a possible increase of such charge rate during the term of the CCT Agreements, the Board proposes to set the annual caps for each of the CCT Transactions as set out below:—

Transaction	Expected annual cap amounts			
	From the date of signing of the relevant CCT Agreement (which is assumed to be 1 October 2010 for the calculation of the expected cap in this table) to 31 December 2010 (the "First Period") HK\$	For the year ending 31 December 2011 HK\$	For the year ending 31 December 2012 HK\$	From 1 January 2013 to the date falling three years from the assumed date of signing the relevant CCT Agreement (the "Last Period") HK\$
Sunny Ocean CCT Transaction	250,000 (subject to adjustment)	1,000,000	1,000,000	750,000 (subject to adjustment)
Viewide CCT Transaction	3,000,000 (subject to adjustment)	12,000,000	12,000,000	9,000,000 (subject to adjustment)
Baharica CCT Transaction	2,000,000 (subject to adjustment)	8,000,000	8,000,000	6,000,000 (subject to adjustment)

LETTER FROM THE BOARD

The basis of determination of the annual cap for the Sunny Ocean CCT Transaction is by reference to the total manageable floor area of the First Excelsior Properties of 6,530 square feet subject to the Property Manager's management under the Sunny Ocean CCT Agreement and the current agreed charge rate of HK\$10.00 per square foot under the Sunny Ocean CCT Agreement plus a potential inflation rate of budgeted expenditure of managing the First Excelsior Properties of up to 8% per annum in the coming 2 years.

The basis of determination of the annual cap for the Viewide CCT Transaction is by reference to the total manageable floor area of the Second Excelsior Properties of 45,883 square feet subject to the Property Manager's management under the Viewide CCT Agreement and the current agreed charge rate of HK\$15.50 per square foot under the Viewide CCT Agreement plus a potential inflation rate of budgeted expenditure of managing the Second Excelsior Properties of up to 8% per annum in the coming 2 years.

The basis of determination of the annual cap for the Baharica CCT Transaction is by reference to the total manageable floor area of the Southorn Centre Properties of 36,716 square feet subject to the Property Manager's management under the Baharica CCT Agreement and the current agreed charge rate of HK\$13.50 per square foot under the Baharica CCT Agreement plus a potential inflation rate of budgeted expenditure of managing the Southorn Centre Properties of up to 8% per annum in the coming 2 years.

The annual cap amounts for the Sunny Ocean CCT Transaction, the Viewide CCT Transaction and the Baharica CCT Transaction for the First Period and the Last Period are only estimated figures on the assumption that the Sunny Ocean CCT Agreement, the Viewide CCT Agreement or the Baharica CCT Agreement will be signed on 30 September 2010, and shall therefore be adjusted or pro-rated on a daily basis to take into account the exact date of signing the relevant CCT Agreement.

If the amount of remuneration payable to the Property Manager under each of the CCT Agreements shall exceed the above expected annual caps (other than the pro-rated adjustments for the First Period and the Last Period) or where any CCT Agreement is renewed or there is a material change to the terms, the Company will re-comply with all applicable requirements under the Listing Rules, including (where required) the obtaining of approval of the Independent Shareholders.

L. REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

As the Property Manager is engaged in the provision of property management services and thus have the necessary expertise, the Directors consider that it is in the interests of the Group for the Property Manager to enter into the CCT Agreements. The Property Manager will receive remuneration for the services provided under the CCT Agreements, thus bringing stable and regular income to the Group.

For the property management services provided by the Group to third parties in Hong Kong, the Property Manager's remuneration charged by the Group is normally determined by reference to budgeted expenditure of the properties managed by the Group and a manager remuneration charged to third party.

LETTER FROM THE BOARD

As the Property Manager's remuneration under the CCT Agreements was determined in accordance with its usual practice for charging third parties for the provision of similar services, the Directors consider that the terms of the CCT Agreements as part and parcel of the Disposal Transactions and the annual caps for each of the CCT Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

M. LISTING RULES IMPLICATIONS FOR THE CONTINUING CONNECTED TRANSACTIONS

As Sunny Ocean, Viewide and Baharica will cease to be subsidiaries of the Company and become associates of Mr. Lau upon completion of the First SP Agreement, the Second SP Agreement and the Sixth SP Agreement, the entering into of the CCT Agreements upon completion of the Disposal Transactions will constitute continuing connected transactions for the Company under Rule 14A.14 of the Listing Rules.

As all the CCT Agreements are to be entered into following completion of the Disposal Transactions and form part and parcel of the Transactions, the same are aggregated pursuant to Rule 14A.25 of the Listing Rules. As the applicable percentage ratios for the aggregate of the expected annual caps of the CCT Transactions as required under Rule 14A.25 of the Listing Rules are less than 5%, the CCT Transactions are only subject to the reporting, annual review and announcement requirements but exempted from the Independent Shareholders' approval requirements under the Listing Rules.

N. INDEPENDENT FINANCIAL ADVISER AND INDEPENDENT BOARD COMMITTEE

It was stated in the Announcement that an independent financial adviser would be appointed to advise the Independent Board Committee and the Independent Shareholders regarding the Transactions and that the Independent Board Committee would advise the Independent Shareholders on whether or not the Transactions are in the interests of the Company and are fair and reasonable so far as the Independent Shareholders are concerned. However, as the CCT Transactions are exempted from Independent Shareholders' approval requirement under the Listing Rules, obtaining Independent Shareholders' approval for the CCT Transactions is therefore strictly speaking not a condition precedent required for completion of the SP Agreements. As a result, it is not required under the Listing Rules that such independent financial adviser and the Independent Board Committee have to advise the Independent Shareholders on the CCT Transactions.

In view of the above, Guangdong Securities has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders regarding the SP Agreements and the Disposal Transactions. The Independent Board Committee will only advise the Independent Shareholders on whether or not the terms of each of the SP Agreements and the Disposal Transactions are on normal commercial terms and whether or not the SP Agreements and the Disposal Transactions are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE BOARD

O. SGM

The Company will convene the SGM at JW Marriott Ballroom, Level 3, Salon 1-3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Wednesday, 7 July 2010 at 10:00 a.m. to consider the Disposal Transactions. An ordinary resolution will be put to the vote by poll at the SGM pursuant to the Listing Rules. A notice of the SGM is set out on pages 82 to 84 of this circular. So far as the Directors are aware and based on the current information available, Mr. Lau and his associates, who together held 1,702,030,282 Shares representing approximately 88.61% of the issued share capital of the Company as at the Latest Practicable Date, will abstain from voting on the ordinary resolution approving the Disposal Transactions in accordance with Rule 14A.54 of the Listing Rules if they hold any Shares as at the date of the SGM.

A form of proxy for use at the SGM is also enclosed. If you are not able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish.

P. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 41 of this circular and the letter of advice from Guangdong Securities to the Independent Board Committee and the Independent Shareholders in connection with the SP Agreements and the Disposal Transactions as well as the principal factors and reasons considered by them in arriving at such advice set out on pages 42 to 60 in this circular.

The Independent Board Committee, having taken into account the advice of Guangdong Securities, considers that the terms of each of the SP Agreements and the Disposal Transactions are on normal commercial terms and the SP Agreements and the Disposal Transactions are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned and recommends the Independent Shareholders to vote in favour of the ordinary resolution approving the SP Agreements at the SGM.

Q. ADDITIONAL INFORMATION

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

Yours faithfully,
By Order of the Board
Lam, Kwong-wai
Company Secretary

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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



CHINESE ESTATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 127)

18 June 2010

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RESPECT OF DISPOSAL OF SUBSIDIARIES AND ASSETS

We refer to the circular issued by the Company to its Shareholders dated 18 June 2010 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter unless the context otherwise requires.

The Disposal Transactions constitute connected transactions for the Company under Rule 14A.13(1)(a) of the Listing Rules and are subject to the reporting, announcement and Independent Shareholders’ approval requirements pursuant to Chapter 14A of the Listing Rules. Further, as the applicable percentage ratios under Chapter 14 of the Listing Rules for the Disposal Transactions exceed 5% but are less than 25%, the Disposal Transactions also constitute discloseable transactions for the Company.

We have been appointed by the Board to consider the terms of the SP Agreements and the Disposal Transactions and to advise the Independent Shareholders in connection therewith and as to whether, in our opinion, the terms of each of the SP Agreements and the Disposal Transactions are on normal commercial terms and the SP Agreements and the Disposal Transactions are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Guangdong Securities has been appointed as the independent financial adviser to advise us in this respect.

We wish to draw your attention to the letter from the Board and the letter from Guangdong Securities as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of, Guangdong Securities as set out in its letter of advice, we consider that the terms of each of the SP Agreements and the Disposal Transactions are on normal commercial terms and the SP Agreements and the Disposal Transactions are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution approving the SP Agreements at the SGM.

Yours faithfully,
For and on behalf of

Independent Board Committee

Chan, Kwok-wai Phillis Loh, Lai-ping Ma, Tsz-chun
Independent Non-executive Directors

LETTER FROM GUANGDONG SECURITIES

Set out below is the text of a letter received from Guangdong Securities, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal Transactions for the purpose of inclusion in this circular.



Units 2505-06, 25/F.,
Low Block of Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

18 June 2010

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

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTIONS: DISPOSAL OF SUBSIDIARIES AND ASSETS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal Transactions, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 18 June 2010 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 17 May 2010, the Company's subsidiaries and companies wholly owned by Mr. Lau entered into (i) the First SP Agreement; (ii) the Second SP Agreement; (iii) the Third SP Agreement; (iv) the Fourth SP Agreement; (v) the Fifth SP Agreement; and (vi) the Sixth SP Agreement. The SP Agreements are related to, among other things, (a) the First Excelsior Properties; (b) the Second Excelsior Properties; (c) the entire issued share capital of Dynamic Source; (d) the First York Place Property; (e) the Second York Place Property; and (f) the Southorn Centre Properties, respectively.

Since Mr. Lau, being a controlling shareholder of the Company, is a director and the sole beneficial owner of the respective purchasers of each of the SP Agreements (the “**Purchasers**”), the Disposal Transactions constitute connected transactions for the Company under Rule 14A.13(1)(a) of the Listing Rules. The Disposal Transactions will therefore be subject to the reporting, announcement and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. As the applicable percentage ratios under Chapter 14 of the Listing Rules for the Disposal Transactions exceed 5% but are less than 25%, the Disposal Transactions also constitute discloseable transactions for the Company.

LETTER FROM GUANGDONG SECURITIES

The 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 established to advise the Independent Shareholders on (i) whether the terms of each of the SP Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Disposal Transactions are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution to approve the SP Agreements and the respective transactions contemplated thereunder at the SGM. We, Guangdong Securities, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. 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.

We have not made an independent evaluation or appraisal of the assets and liabilities of either the Group or the Purchasers and we have not been furnished with any such evaluation or appraisal, save as and except for the valuation report dated 18 June 2010 prepared by an independent professional valuer, namely Vigers Appraisal & Consulting Limited (the “**Valuer**”), in respect of each of the Properties (the “**Valuation Report**”). The Valuation Report was prepared in accordance with the HKIS Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Surveyors and all the requirements stipulated in Chapter 5 of the Listing Rules. We are not experts in the valuation of properties and therefore have relied solely upon the Valuation Report for the market value of each of the Properties as at 17 May 2010.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

LETTER FROM GUANGDONG SECURITIES

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, Mr. Lau and the Purchasers or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Disposal Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Guangdong Securities is to ensure that such information has been correctly extracted from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background of and reasons for the Disposal Transactions

Information on the Group

The Group is principally engaged in property investment and development, brokerage, securities investment, money lending and cosmetics distribution and trading.

Information on the Properties and Dynamic Source

The Properties, being subjects of the SP Agreements, include the First Excelsior Properties, the Second Excelsior Properties, the First York Place Property, the Second York Place Property and the Southorn Centre Properties.

The First Excelsior Properties comprises: Shop Nos. 1 to 3 and 6 to 12 on Ground Floor and Unit Nos. 6 to 11 on 1st Floor of Yee On Building and Shop Nos. 21, 23 and 24 on Ground Floor of Chee On Building together with the External Walls on Ground Floor, 1st Floor and 2nd Floor and the Main Roof of Yee On Building, Excelsior Plaza, Nos. 24-26 East Point Road, Causeway Bay, Hong Kong. The First Excelsior Properties are currently leased out by Sunny Ocean for rental income under various tenancy agreements with the latest being expired on 11 March 2013.

LETTER FROM GUANGDONG SECURITIES

The Second Excelsior Properties comprises: (i) Shop No. 31 on 1st Floor, Shop No. 32 (Part) on Ground Floor, 1st Floor and 2nd Floor, Shop No. 32 (Part) on 2nd Floor, External Walls on Ground Floor, 1st Floor and 2nd Floor, Reserved shares for the Naming Right in respect of Ground Floor, 1st Floor and 2nd Floor and Main Roof of Chee On Building of Excelsior Plaza, No. 24 East Point Road, Causeway Bay, Hong Kong; (ii) Reserved Area (Unit G) on 2nd Floor, Shop No. 32 (Part) on 2nd Floor and Reserved shares of and in the Land and Yee On Building forming part of the Excelsior Plaza in respect of Ground Floor, 1st Floor and 2nd Floor of Yee On Building of Excelsior Plaza, No. 26 East Point Road, Causeway Bay, Hong Kong; and (iii) Shop No. 32 (Part) on 2nd Floor, External Walls and 5 Reserved shares of and in the Land and the Annex Land Building forming part of the Excelsior Plaza in respect of Ground Floor, 1st Floor and 2nd Floor, and all that portion of the External Walls (Elevation Behind Escalator) of the Annex Land Building of Excelsior Plaza, Nos. 24-26 East Point Road, Causeway Bay, Hong Kong. The Second Excelsior Properties are currently leased out by Viewwide for rental income under various tenancy agreements with the latest being expired on 31 August 2013. The Second Excelsior Properties also generated income under various licences for signages, advertising spaces, LED display etc..

The First York Place Property comprises: Shop 1, York Place, No. 22 Johnston Road, Hong Kong. The First York Place Property was vacant as at the Latest Practicable Date.

The Second York Place Property comprises: Shop 2, York Place, No. 22 Johnston Road, Hong Kong. The Second York Place Property was vacant as at the Latest Practicable Date.

The Southorn Centre Properties comprise: (i) Shop No. 2 and Shop No. 3 on Ground Floor, Southorn Centre, No. 150 Hennessy Road, Hong Kong; (ii) Commercial Accommodation on 1st Floor and 2nd Floor, Southorn Centre, No. 130 Hennessy Road, Hong Kong; and (iii) Staircase facing O'Brien Road (for exclusive use to Commercial Accommodation on 1/F. & 2/F. Southorn Centre), Ground Floor Service Lift Area (for exclusive use to Commercial Accommodation on 1/F. & 2/F. Southorn Centre) and Staircase facing Hennessy Road (for exclusive use to Commercial Accommodation on 1/F. & 2/F. Southorn Centre), No. 130 Hennessy Road, Hong Kong. The Southorn Centre Properties are currently leased out by Baharica for rental income under various tenancy agreements with the latest being expired on 23 March 2012. The Southorn Centre Properties also generated income under various light boxes and advertising spaces.

Dynamic Source is an investment holding company incorporated in BVI and a direct wholly-owned subsidiary of Gold Horse. As at the Latest Practicable Date, Dynamic Source did not hold any material assets other than Bingo Castle, which is an investment holding company incorporated in BVI. As at the Latest Practicable Date, Bingo Castle did not hold any material assets other than having entered into a license agreement with Sunny Ocean for obtaining a license in respect of the property "Signage space on the external cladding besides Shop No. 21 on the Ground Floor of Excelsior Plaza, Chee On Building, No. 24 East Point Road, Causeway Bay, Hong Kong" owned by Sunny Ocean and then sublicensing such licensed property to an independent third party of the Company.

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Reasons for the Disposal Transactions

With reference to the Board Letter, the disposals under the SP Agreements will provide a good opportunity for the Group to realise a sizeable portion of its retail property portfolio in Hong Kong and provide additional funding for the Group to pursue property and other investment opportunities when available.

In addition, as further confirmed by the Directors, as the consideration of the properties interests under the respective SP Agreements were determined by reference to the market value of the properties interests from an independent property valuer and the remaining assets and liabilities (other than properties interests and deferred tax liabilities) of the target companies were determined by their face values on a dollar-to-dollar basis, the Directors consider that the consideration and the terms of each of the SP Agreements are fair and reasonable and are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Based on our independent research, set out below are the latest property market statistics released by the Rating and Valuation Department of the Hong Kong Government (www.rvd.gov.hk):

	Number of transactions			Price index		
	Office	Commercial	Flatted Factories	Office	Retail	Flatted Factories
Year of 2008	2,845	4,149	5,741	199.0	192.2	235.9
1st quarter of 2009	304	578	611	154.6	164.4	196.3
2nd quarter of 2009	613	1,340	1,249	170.1	181.7	205.1
3rd quarter of 2009	752	1,792	1,780	191.6	205.9	222.5
4th quarter of 2009	849	1,643	1,908	201.9	219.5	241.2
Year of 2009	2,518	5,353	5,548	179.5	192.9	216.3
1st quarter of 2010	850	1,730	1,813	211.1	233.8	258.2
% increase from 4th quarter of 2008 to 1st quarter of 2010	207.97	248.79	195.76	20.63	34.60	18.49

The above statistics demonstrate that the Hong Kong property market (office, commercial, retail and flatted factories) had been gradually improving in year 2009 even though as compared to year 2008, its overall performance was still more inferior. Such improving trend had further extended to the first quarter of year 2010. Nevertheless, the Directors consider that judging from (i) the openness of the economy of Hong Kong; (ii) the historical performance of the Hong Kong property market; and (iii) the new Hong Kong government policies on the property market to stabilise property prices which has become effective since 1 June 2010, it is uncertain as to whether the aforesaid growth of the Hong Kong property market (office, commercial, retail and flatted factories) will sustain in the future. Given the aforesaid favourable outlook of the Hong Kong property market (office, commercial, retail and flatted factories) and the

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uncertainty of its development in the short to middle run, we consider that the rationale for the Disposal Transactions to realise a sizeable portion of the Group's retail property portfolio in Hong Kong at present and provide additional funding for the Group to pursue property and other investment opportunities when available is acceptable.

In view of the Directors' representation that the Disposal Transactions will provide an opportunity for the Group to realise a sizeable portion of its retail property portfolio in Hong Kong and provide additional funding for the Group to pursue property and other investment opportunities when available, we concur with the Directors that the Disposal Transactions are conducted in the ordinary and usual course of business of the Company and are in the interests of the Company and the Shareholders as a whole. As for the terms (including the consideration) of each of the SP Agreements, our relevant analyses are detailed under the following section.

2. Terms of the SP Agreements

The First SP Agreement

On 17 May 2010, (a) Gold Horse, as vendor; (b) the Company, as vendor's guarantor; (c) Tycoon City, as purchaser; and (d) Mr. Lau, as purchaser's guarantor, entered into the First SP Agreement, pursuant to which Gold Horse agreed to sell and Tycoon City agreed to purchase the First Sale Share and the First Sale Loan. As at 31 March 2010, the First Sale Loan amounted to approximately HK\$279.3 million. Tycoon City further agreed to assume the obligation for repaying the First Assumed Debt (if any) by way of novation upon completion of the First SP Agreement. As at 31 March 2010, there was no First Assumed Debt.

The First Consideration

(i) Basis of the First Consideration

Under the First SP Agreement, the First Consideration shall be equal to the aggregate of: (a) the consolidated or combined net asset value or liability of Global Smart and Sunny Ocean (for the purpose of ascertaining such net asset value or liability, Tycoon City accepts that the First Excelsior Properties shall have a value of HK\$780 million), adjusted by adding the net deferred tax liabilities or deducting the net deferred tax assets (as the case may be) as shown in the First Completion Accounts; and (b) the aggregate face amount of the First Sale Loan, less the aggregate face amount of the First Assumed Debt. In the event that the First Consideration is a negative figure or less than HK\$2.00, it shall be deemed to be HK\$2.00. In addition, the First Consideration shall not exceed a cap amount of HK\$790 million. We consider the aforesaid formula for calculating the First Consideration to be acceptable.

As extracted from the Board Letter, the First Consideration was determined after arm's length negotiations between Gold Horse and Tycoon City with reference to the consolidated or combined net asset value or liability of Global Smart and Sunny Ocean as shown in the First Completion Accounts, which shall take into account the market

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value of the First Excelsior Properties as valued by the Valuer at HK\$780 million as at 17 May 2010 (the “**First Valuation**”). Furthermore, the determination of the First Consideration has taken into account the provision of certain free leasing agency and management services by the Group for the First Excelsior Properties after completion of the First SP Agreement.

We noted from the financial information of Global Smart and Sunny Ocean which we requested from the Company that as at 31 March 2010, (i) the consolidated net asset value of Global Smart and Sunny Ocean was approximately HK\$498.9 million (having included the First Valuation of HK\$780 million and excluded the deferred tax liabilities of approximately HK\$160.1 million); (ii) the aggregate face amount of the First Sale Loan was approximately HK\$279.3 million; and (iii) the aggregate face amount of the First Assumed Debt was nil. Accordingly, the First Provisional Consideration is equal to approximately HK\$778.2 million.

(ii) Valuation of the First Excelsior Properties

To further assess the fairness and reasonableness of the First Consideration, we have reviewed the Valuation Report and enquired into the Valuer on the methodology adopted and the basis and assumptions used in arriving at the First Valuation. In the course of our enquiry, we noted that the Valuer carried out a site visit to the First Excelsior Properties in early May 2010 to research for the necessary information for determining the market value of the First Excelsior Properties. As extracted from the Valuation Report, the Valuer has adopted the direct comparison method under the market approach for the First Valuation. As confirmed by the Valuer, the market approach is commonly adopted for valuation of properties in Hong Kong and is also consistent with normal market practice.

Further details of the basis and assumptions of the First Valuation are included in the Valuation Report as contained in Appendix I to the Circular. During our discussion with the Valuer, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal basis and assumptions adopted for the First Valuation. However, Shareholders should note that valuation of assets or companies usually involves assumptions and therefore the First Valuation may or may not reflect the true market value of the First Excelsior Properties accurately.

In light of the above basis of determination of the First Consideration and having reviewed the supporting documents which we were provided, we are of the opinion that the First Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

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Provision of free leasing agency and management services after completion of the First SP Agreement

Subject to completion of the First SP Agreement, the Company agrees to procure the Property Manager to provide certain free leasing agency and management services for the First Excelsior Properties after completion of the First SP Agreement for a period of three years after completion. The provision of such free services is considered by the Group to be after-sale services for the First Excelsior Properties, which has been taken into account in the determination of the First Consideration. As also referred to in the Board Letter and as advised by the Directors, the estimated cost of providing such services is comparatively minimal to the estimated amount of the First Consideration given that (i) it is an existing operation of the Group to provide leasing agency and management services; and (ii) no additional staff will be hired for provision of such services. Accordingly, we are of the view that the above arrangement is fair and reasonable so far as the Independent Shareholders are concerned.

Payment terms

Under the First SP Agreement, the First Provisional Consideration shall be paid first upon completion of the First SP Agreement and the difference between the First Provisional Consideration and the First Consideration will be settled in cash between the parties after the First Completion Accounts have become available. Since certain time is required for the preparation of the First Completion Accounts, we are of the view that the payment terms above are acceptable.

Other terms of the First SP Agreement

We have also reviewed the other major terms of the First SP Agreement and are not aware of any terms which are uncommon. Consequently, we consider that the terms of the First SP Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

The Second SP Agreement

On 17 May 2010, (a) Gold Horse, as vendor; (b) the Company, as vendor's guarantor; (c) Energy Kingdom, as purchaser; and (d) Mr. Lau, as purchaser's guarantor, entered into the Second SP Agreement, pursuant to which Gold Horse agreed to sell and Energy Kingdom agreed to purchase the Second Sale Share and the Second Sale Loan. As at 31 March 2010, the Second Sale Loan amounted to approximately HK\$667.5 million. Energy Kingdom further agreed to assume the obligation for repaying the Second Assumed Debt (if any) by way of novation upon completion of the Second SP Agreement. As at 31 March 2010, the Second Assumed Debt amounted to approximately HK\$66 million.

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The Second Consideration

(i) Basis of the Second Consideration

Under the Second SP Agreement, the Second Consideration shall be equal to the aggregate of: (a) the consolidated or combined net asset value or liability of Jolly Gain and Viewide (for the purpose of ascertaining such net asset value or liability, Energy Kingdom accepts that the Second Excelsior Properties shall have a value of HK\$1,370 million), adjusted by adding the net deferred tax liabilities or deducting the net deferred tax assets, as the case may be, as shown in the Second Completion Accounts; (b) the aggregate face amount of the Second Sale Loan, less the aggregate face amount of the Second Assumed Debt; and (c) an amount of HK\$17,551,733.3 (being the provision for diminution in amount due to Jolly Gain and/or Viewide by London Square Company Limited, a member of the Group, such provision will be provided for or recognised in the Second Completion Accounts). In the event that the Second Consideration is a negative figure or less than HK\$2.00, it shall be deemed to be HK\$2.00. In addition, the Second Consideration shall not exceed a cap amount of HK\$1,450 million. We consider the aforesaid formula for calculating the Second Consideration to be acceptable.

As extracted from the Board Letter, the Second Consideration was determined after arm's length negotiations between Gold Horse and Energy Kingdom with reference to the consolidated or combined net asset value or liability of Jolly Gain and Viewide as shown in the Second Completion Accounts, which shall take into account the market value of the Second Excelsior Properties as valued by the Valuer at HK\$1,370 million as at 17 May 2010 (the "**Second Valuation**"). Furthermore, the determination of the Second Consideration has taken into account the provision of certain free leasing agency and management services for the Second Excelsior Properties by the Group after completion of the Second SP Agreement.

We noted from the financial information of Jolly Gain and Viewide which we requested from the Company that as at 31 March 2010, (i) the consolidated net asset value of Jolly Gain and Viewide was approximately HK\$757.95 million (having included the Second Valuation of HK\$1,370 million and excluded the deferred tax liabilities of approximately HK\$292.0 million); (ii) the aggregate face amount of the Second Sale Loan was approximately HK\$667.5 million; and (iii) the aggregate face amount of the Second Assumed Debt was approximately HK\$66.0 million (after taking into account the provision of HK\$17,551,733.3 for diminution in amount due to Jolly Gain and/or Viewide by London Square Company Limited). Accordingly, the Second Provisional Consideration is equal to approximately HK\$1,359.5 million.

(ii) Valuation of the Second Excelsior Properties

To further assess the fairness and reasonableness of the Second Consideration, we have reviewed the Valuation Report and enquired into the Valuer on the methodology adopted and the basis and assumptions used in arriving at the Second Valuation. In the course of our enquiry, we noted that the Valuer carried out a site visit to the Second Excelsior

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Properties in early May 2010 to research for the necessary information for determining the market value of the Second Excelsior Properties. As extracted from the Valuation Report, the Valuer has adopted the direct comparison method under the market approach for the Second Valuation. As confirmed by the Valuer, the market approach is commonly adopted for valuation of properties in Hong Kong and is also consistent with normal market practice.

Further details of the basis and assumptions of the Second Valuation are included in the Valuation Report as contained in Appendix I to the Circular. During our discussion with the Valuer, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal basis and assumptions adopted for the Second Valuation. However, Shareholders should note that valuation of assets or companies usually involves assumptions and therefore the Second Valuation may or may not reflect the true market value of the Second Excelsior Properties accurately.

In light of the above basis of determination of the Second Consideration and having reviewed the supporting documents which we were provided, we are of the opinion that the Second Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

Provision of free leasing agency and management services after completion of the Second SP Agreement

Subject to completion of the Second SP Agreement, the Company agrees to procure the Property Manager to provide certain free leasing agency and management services for the Second Excelsior Properties after completion of the Second SP Agreement for a period of three years after completion. The provision of such free services is considered by the Group to be after-sale services for the Second Excelsior Properties, which has been taken into account in the determination of the Second Consideration. As also referred to in the Board Letter and as advised by the Directors, the estimated cost of providing such services is comparatively minimal to the amount of the estimated Second Consideration given that (i) it is an existing operation of the Group to provide leasing agency and management services; and (ii) no additional staff will be hired for provision of such services. Accordingly, we are of the view that the above arrangement is fair and reasonable so far as the Independent Shareholders are concerned.

Payment terms

Under the Second SP Agreement, the Second Provisional Consideration shall be paid first upon completion of the Second SP Agreement and the difference between the Second Provisional Consideration and the Second Consideration will be settled in cash between the parties after the Second Completion Accounts have become available. Since certain time is required for the preparation of the Second Completion Accounts, we are of the view that the payment terms above are acceptable.

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Other terms of the Second SP Agreement

We have also reviewed the other major terms of the Second SP Agreement and are not aware of any terms which are uncommon. Consequently, we consider that the terms of the Second SP Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

The Third SP Agreement

On 17 May 2010, (a) Gold Horse, as vendor; (b) the Company, as vendor's guarantor; (c) Tycoon City, as purchaser; and (d) Mr. Lau, as purchaser's guarantor, entered into the Third SP Agreement, pursuant to which Gold Horse agreed to sell and Tycoon City agreed to purchase the Third Sale Share and the Third Sale Loan. As at 31 March 2010, the Third Sale Loan amounted to approximately HK\$35,430. Tycoon City further agreed to assume the obligation for repaying the Third Assumed Debt (if any) by way of novation upon completion of the Third SP Agreement. As at 31 March 2010, there was no Third Assumed Debt.

The Third Consideration

Under the Third SP Agreement, the Third Consideration shall be equal to the aggregate of: (a) the consolidated or combined net asset value or liability of Dynamic Source and Bingo Castle, adjusted by adding the net deferred tax liabilities or deducting the net deferred tax assets, as the case may be, as shown in the Third Completion Accounts; and (b) the aggregate face amount of the Third Sale Loan, less the aggregate face amount of the Third Assumed Debt. In the event that the Third Consideration is a negative figure or less than HK\$2.00, it shall be deemed to be HK\$2.00. In addition, the Third Consideration shall not exceed a cap amount of HK\$200,000. We consider the aforesaid formula for calculating the Third Consideration to be acceptable.

As extracted from the Board Letter, the Third Consideration was determined after arm's length negotiations between Gold Horse and Tycoon City with reference to the consolidated or combined net asset value or liability of Dynamic Source and Bingo Castle as shown in the Third Completion Accounts.

We noted from the financial information of Dynamic Source and Bingo Castle which we requested from the Company that as at 31 March 2010, (i) the consolidated liability of Dynamic Source and Bingo Castle was approximately HK\$35,430; (ii) the aggregate face amount of the Third Sale Loan was approximately HK\$35,430; and (iii) the aggregate face amount of the Third Assumed Debt was nil. Accordingly, the Third Provisional Consideration is equal to HK\$2.00.

In light of the aforesaid basis of determination of the Third Consideration and having reviewed the supporting documents which we were provided, we are of the opinion that the Third Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

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Payment terms

Under the Third SP Agreement, the Third Provisional Consideration shall be paid first upon completion of the Third SP Agreement and the difference between the Third Provisional Consideration and the Third Consideration will be settled in cash between the parties after the Third Completion Accounts have become available. Since certain time is required for the preparation of the Third Completion Accounts, we are of the view that the payment terms above are acceptable.

Other terms of the Third SP Agreement

We have also reviewed the other major terms of the Third SP Agreement and are not aware of any terms which are uncommon. Consequently, we consider that the terms of the Third SP Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

The Fourth SP Agreement

On 17 May 2010, (a) Fair City, as vendor; (b) the Company, as vendor's guarantor; (c) Glory City, as purchaser; and (d) Mr. Lau, as purchaser's guarantor, entered into the Fourth SP Agreement, pursuant to which Fair City agreed to sell and Glory City agreed to purchase the First York Place Property.

The Fourth Consideration

(i) Basis of the Fourth Consideration

Under the Fourth SP Agreement, the Fourth Consideration is HK\$50 million and shall be paid by Glory City to Fair City upon completion of the Fourth SP Agreement.

According to the Board Letter, the Fourth Consideration was determined after arm's length negotiations between Fair City and Glory City with reference to the market value of the First York Place Property as valued by the Valuer at HK\$50 million as at 17 May 2010 (the "**First York Place Valuation**"). Moreover, the determination of the Fourth Consideration has taken into account the provision of certain free leasing agency and management services for the First York Place Property by the Group after completion of the Fourth SP Agreement.

(ii) Valuation of the First York Place Property

To assess the fairness and reasonableness of the Fourth Consideration, we have reviewed the Valuation Report and enquired into the Valuer on the methodology adopted and the basis and assumptions used in arriving at the First York Place Valuation. In the course of our enquiry, we noted that the Valuer carried out a site visit to the First York Place Property in early May 2010 to research for the necessary information for determining the market value of the First York Place Property. As extracted from the Valuation Report,

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the Valuer has adopted the direct comparison method under the market approach for the First York Place Valuation. As confirmed by the Valuer, the market approach is commonly adopted for valuation of properties in Hong Kong and is also consistent with normal market practice.

Further details of the basis and assumptions of the First York Place Valuation are included in the Valuation Report as contained in Appendix I to the Circular. During our discussion with the Valuer, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal basis and assumptions adopted for the First York Place Valuation. However, Shareholders should note that valuation of assets or companies usually involves assumptions and therefore the First York Place Valuation may or may not reflect the true market value of the First York Place Property accurately.

In light of that the First York Place Valuation of HK\$50 million as at 17 May 2010 was fairly and reasonably determined by the Valuer and the Fourth Consideration is equivalent to the First York Place Valuation, we consider that the Fourth Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

Provision of free leasing agency and management services after completion of the Fourth SP Agreement

Subject to completion of the Fourth SP Agreement, the Company agrees to procure the Property Manager to provide certain free leasing agency and management services for the First York Place Property after completion of the Fourth SP Agreement for a period of three years after completion. The provision of such free services is considered by the Group to be after-sale services for the First York Place Property, which has been taken into account in the determination of the Fourth Consideration. As also referred to in the Board Letter and as advised by the Directors, the estimated cost of providing such services is comparatively minimal to the amount of the estimated Fourth Consideration given that (i) it is an existing operation of the Group to provide leasing agency and management services; and (ii) no additional staff will be hired for provision of such services. Accordingly, we are of the view that the above arrangement is fair and reasonable so far as the Independent Shareholders are concerned.

Other terms of the Fourth SP Agreement

We have also reviewed the other major terms of the Fourth SP Agreement and are not aware of any terms which are uncommon. Consequently, we consider that the terms of the Fourth SP Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

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The Fifth SP Agreement

On 17 May 2010, (a) Fair City, as vendor; (b) the Company, as vendor's guarantor; (c) Rich Force, as purchaser; and (d) Mr. Lau, as purchaser's guarantor, entered into the Fifth SP Agreement, pursuant to which Fair City agreed to sell and Rich Force agreed to purchase the Second York Place Property.

The Fifth Consideration

(i) Basis of the Fifth Consideration

Under the Fifth SP Agreement, the Fifth Consideration is HK\$70 million and shall be paid by Rich Force to Fair City upon completion of the Fifth SP Agreement.

According to the Board Letter, the Fifth Consideration was determined after arm's length negotiations between Fair City and Rich Force with reference to the market value of the Second York Place Property as valued by the Valuer at HK\$70 million as at 17 May 2010 (the "**Second York Place Valuation**"). In addition, the determination of the Fifth Consideration has taken into account the provision of certain free leasing agency and management services for the Second York Place Property by the Group after completion of the Fifth SP Agreement.

(ii) Valuation of the Second York Place Property

To assess the fairness and reasonableness of the Fifth Consideration, we have reviewed the Valuation Report and enquired into the Valuer on the methodology adopted and the basis and assumptions used in arriving at the Second York Place Valuation. In the course of our enquiry, we noted that the Valuer carried out a site visit to the Second York Place Property in early May 2010 to research for the necessary information for determining the market value of the Second York Place Property. As extracted from the Valuation Report, the Valuer has adopted the direct comparison method under the market approach for the Second York Place Valuation. As confirmed by the Valuer, the market approach is commonly adopted for valuation of properties in Hong Kong and is also consistent with normal market practice.

Further details of the basis and assumptions of the Second York Place Valuation are included in the Valuation Report as contained in Appendix I to the Circular. During our discussion with the Valuer, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal basis and assumptions adopted for the Second York Place Valuation. However, Shareholders should note that valuation of assets or companies usually involves assumptions and therefore the Second York Place Valuation may or may not reflect the true market value of the Second York Place Property accurately.

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In light of that the Second York Place Valuation of HK\$70 million as at 17 May 2010 was fairly and reasonably determined by the Valuer and the Fifth Consideration is equivalent to the Second York Place Valuation, we consider that the Fifth Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

Provision of free leasing agency and management services after completion of the Fifth SP Agreement

Subject to completion of the Fifth SP Agreement, the Company agrees to procure the Property Manager to provide certain free leasing agency and management services for the Second York Place Property after completion of the Fifth SP Agreement for a period of three years after completion. The provision of such free services is considered by the Group to be after-sale services for the Second York Place Property, which has been taken into account in the determination of the Fifth Consideration. As referred to in the Board Letter and as advised by the Directors, the estimated cost of providing such services is comparatively minimal to the amount of the estimated Fifth Consideration given that (i) it is an existing operation of the Group to provide leasing agency and management services; and (ii) no additional staff will be hired for provision of such services. Accordingly, we are of the view that the above arrangement is fair and reasonable so far as the Independent Shareholders are concerned.

Other terms of the Fifth SP Agreement

We have also reviewed the other major terms of the Fifth SP Agreement and are not aware of any terms which are uncommon. Consequently, we consider that the terms of the Fifth SP Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

The Sixth SP Agreement

On 17 May 2010, (a) Gold Horse, as vendor; (b) the Company, as vendor's guarantor; (c) Smart Object, as purchaser; and (d) Mr. Lau, as purchaser's guarantor, entered into the Sixth SP Agreement, pursuant to which Gold Horse agreed to sell and Smart Object agreed to purchase the Sixth Sale Share and the Sixth Sale Loan. As at 31 March 2010, the Sixth Sale Loan amounted to approximately HK\$2.8 million. Smart Object further agreed to assume the obligation for repaying the Sixth Assumed Debt (if any) by way of novation upon completion of the Sixth SP Agreement. As at 31 March 2010, the Sixth Assumed Debt amounted to approximately HK\$549.8 million.

The Sixth Consideration

(i) Basis of the Sixth Consideration

Under the Sixth SP Agreement, the Sixth Consideration shall be equal to the aggregate of: (a) the consolidated or combined net asset value or liability of Grand Lucky and Baharica (for the purpose of ascertaining such net asset value or liability, Smart Object accepts that the Southorn Centre Properties shall have a value of HK\$1,128 million),

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adjusted by adding the net deferred tax liabilities or deducting the net deferred tax assets (as the case may be) as shown in the Sixth Completion Accounts; and (b) the aggregate face amount of the Sixth Sale Loan, less the aggregate face amount of the Sixth Assumed Debt. In the event that the Sixth Consideration is a negative figure or less than HK\$2.00, it shall be deemed to be HK\$2.00. In addition, the Sixth Consideration shall not exceed a cap amount of HK\$1,250 million. We consider the aforesaid formula for calculating the Sixth Consideration to be acceptable.

As extracted from the Board Letter, the Sixth Consideration was determined after arm's length negotiations between Gold Horse and Smart Object with reference to the consolidated or combined net asset value or liability of Grand Lucky and Baharica as shown in the Sixth Completion Accounts, which shall take into account the market value of the Southorn Centre Properties as valued by the Valuer at HK\$1,128 million as at 17 May 2010 (the "**Southorn Centre Valuation**"). In addition, the determination of the Sixth Consideration has taken into account the provision of certain free leasing agency and management services for the Southorn Centre Properties by the Group after completion of the Sixth SP Agreement.

We noted from the financial information of Gold Horse and Smart Object which we requested from the Company that as at 31 March 2010, (i) the consolidated net asset value of Gold Horse and Smart Object was approximately HK\$876.7 million (having included the Southorn Centre Valuation of HK\$1,128 million and excluded the deferred tax liabilities of approximately HK\$249.3 million); (ii) the aggregate face amount of the Sixth Sale Loan was approximately HK\$2.8 million; (iii) the aggregate face amount of the Sixth Assumed Debt was approximately HK\$549.8 million; and (iv) the aggregate amount of bank loan was HK\$795 million. Accordingly, the Sixth Provisional Consideration is equal to approximately HK\$329.7 million (assuming no repayment of bank loan owed by Baharica) or approximately HK\$1,124.7 million (assuming repayment of bank loan of HK\$795 million owed by Baharica and such repayment is financed by the Group (other than the Target Companies)).

(ii) Valuation of the Southorn Centre Properties

To further assess the fairness and reasonableness of the Sixth Consideration, we have reviewed the Valuation Report and enquired into the Valuer on the methodology adopted and the basis and assumptions used in arriving at the Southorn Centre Valuation. In the course of our enquiry, we noted that the Valuer carried out a site visit to the Southorn Centre Properties in early May 2010 to research for the necessary information for determining the market value of the Southorn Centre Properties. As extracted from the Valuation Report, the Valuer has adopted the direct comparison method under the market approach for the Southorn Centre Valuation. As confirmed by the Valuer, the market approach is commonly adopted for valuation of properties in Hong Kong and is also consistent with normal market practice.

LETTER FROM GUANGDONG SECURITIES

Further details of the basis and assumptions of the Southorn Centre Valuation are included in the Valuation Report as contained in Appendix I to the Circular. During our discussion with the Valuer, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal basis and assumptions adopted for the Southorn Centre Valuation. However, Shareholders should note that valuation of assets or companies usually involves assumptions and therefore the Southorn Centre Valuation may or may not reflect the true market value of the Southorn Centre Properties accurately.

In light of that the above basis of determination of the Sixth Consideration and having reviewed the supporting documents which we were provided, we are of the opinion that the Sixth Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

Provision of free leasing agency and management services after completion of the Sixth SP Agreement

Subject to completion of the Sixth SP Agreement, the Company agrees to procure the Property Manager to provide certain free leasing agency and management services for the Southorn Centre Properties after completion of the Sixth SP Agreement for a period of three years after completion. The provision of such free services is considered by the Group to be after-sale services for the Southorn Centre Properties, which has been taken into account in the determination of the Sixth Consideration. As referred to in the Board Letter and as advised by the Directors, the estimated cost of providing such services is comparatively minimal to the amount of the estimated Sixth Consideration given that (i) it is an existing operation of the Group to provide leasing agency and management services; and (ii) no additional staff is required to be hired for provision of such services. Accordingly, we are of the view that the above arrangement is fair and reasonable so far as the Independent Shareholders are concerned.

Payment terms

Under the Sixth SP Agreement, the Sixth Provisional Consideration shall be paid first upon completion of the Sixth SP Agreement and the difference between the Sixth Provisional Consideration and the Sixth Consideration will be settled in cash between the parties after the Sixth Completion Accounts have become available. Since certain time is required for the preparation of the Sixth Completion Accounts, we are of the view that the payment terms above are acceptable.

Other terms of the Sixth SP Agreement

We have also reviewed the other major terms of the Sixth SP Agreement and are not aware of any terms which are uncommon. Consequently, we consider that the terms of the Sixth SP Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

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3. Completion

As referred to in the Board Letter, subject to the conditions precedent under each of the SP Agreements having been satisfied, completion of each of the SP Agreements shall take place on a Business Day to be selected and notified in writing by the respective purchaser to the respective vendor of each of the SP Agreements for the purpose of completion after the satisfaction of the respective conditions precedent, provided that: (a) such Business Day shall not be earlier than the third Business Day after the date of the Selection Notice; (b) such Business Day shall fall within the period of 120 days after the date on which the above condition precedent has been satisfied; and (c) if no Selection Notice is given by the respective purchaser to the SP Agreements, the completion date shall be the last Business Day during the aforesaid 120-day period.

As represented by the Directors, the aforesaid term regarding completion was determined after arm's length negotiation among the parties to the SP Agreements with reference to the common market practices for sizeable retail properties transactions. For such reason, we are of the view that the aforesaid term regarding completion is acceptable.

4. Competing interests

As referred to in the Board Letter, after completion of the SP Agreements, Mr. Lau will, through the respective Purchasers, hold the Properties, which compete or may compete with the properties owned by the Group for potential tenancies, especially in the core shopping area of Causeway Bay, Hong Kong where the bulk of the Properties, and the Group's self-owned prime retail property portfolio, are located. In order to manage the potential competition between Mr. Lau's interests in the Properties and the property interests of the Group, (i) Mr. Lau has provided certain undertakings to the Company in each of the SP Agreements (save and except for the Third SP Agreement); and (ii) the Company proposes to adopt certain measures to monitor the compliance of the aforesaid undertakings (the "**Measures**"), details of which were set out under the section headed "Competing Interests" of the Board Letter.

We have discussed the content and nature of the undertakings provided by Mr. Lau and the Measures, and we concur with the Directors that the undertakings provided by Mr. Lau and the Measures could resolve the potential competition between Mr. Lau and the Group which would possibly arise following completion of the Disposal Transactions.

5. Possible financial effects of the Disposal Transactions

As confirmed by the Directors, an aggregate loss of approximately HK\$1,231.2 million, which is mainly due to the difference between the book value of the Properties as at 31 March 2010 and their respective valuations as at 17 May 2010, will be recognised by the Company. However, as referred to the Board Letter and also confirmed by the Directors, based on the acquisition cost of the First Excelsior Properties, the Second Excelsior Properties and the Southorn Centre Properties, together with the book cost of the First York Place Property and Second York Place Property, and the current estimated aggregate consideration which will be received by the Group under the Disposal Transactions, it is expected that the Group will realise an accumulated net

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profit of approximately HK\$1,876.4 million from the years of acquisition of the Properties to the date of completion of the SP Agreements. Furthermore, due to the nature of the aforesaid loss, the Directors further confirmed that it would not create any negative impact on the Group's cash position. Instead, since the considerations under the SP Agreements will be satisfied by the Purchasers in cash, the Group's working capital would expand due to the Disposal Transactions.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon completion of the Disposal Transactions.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of each of the SP Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Disposal Transactions are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM to approve each of the SP Agreements and the respective transaction contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Guangdong Securities Limited
Graham Lam
Managing Director

APPENDIX I PROPERTY VALUATION REPORT ON THE PROPERTIES

The following is the text of a property valuation report, prepared for the purpose of incorporation in this circular received from Vigers Appraisal & Consulting Limited, an independent valuer, in connection with their valuations as at 17 May 2010 of the First Excelsior Properties, the Second Excelsior Properties, the First York Place Properties, the Second York Place Properties and the Southorn Centre Properties.

VIGERS APPRAISAL & CONSULTING LIMITED

10th Floor, The Grande Building
398 Kwun Tong Road
Kowloon
Hong Kong



18 June 2010

The Directors
Chinese Estates Holdings Limited
26th Floor, MassMutual Tower
38 Gloucester Road
Wanchai, Hong Kong

Dear Sirs,

In accordance with the instruction from Chinese Estates Holdings Limited (the “Company”), its subsidiaries and associated companies (hereinafter together referred to as the “Group”) for us to assess the market value of the properties held by the Group located in Hong Kong, we confirm that we have carried out inspections, made relevant enquiries and obtained such information as we consider necessary for the purpose of providing you with our opinion of the value of the property interests in their existing states as at 17 May 2010 for public documentation purpose.

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

Our valuation has been made on the assumption that the owner sold the properties on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which might serve to increase the values of the properties.

We have relied on considerable extent on the information provided by the Group on such matters as tenure, occupation, tenancies (if applicable), rental income (if applicable), statutory notice, easements, floor areas and all other relevant matters. We have caused searches to be made at Land Registry. However, we have not searched the original documents to ascertain ownership or to verify any lease amendments, which might not appear on the copies handed to us. All documents have been used as reference purposes only. All dimensions, measurements and areas are approximate.

In valuing the properties, we have adopted the direct comparison approach by making reference to comparable transactions as available in the relevant market.

APPENDIX I PROPERTY VALUATION REPORT ON THE PROPERTIES

We have inspected the properties to the extent for the purposes of these valuations. However, we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which were covered, unexposed or inaccessible, we are therefore unable to report that any such part of the properties were free from defects.

We have not arranged for any investigation to be carried out to determine whether or not high alumina cement concrete or calcium chloride additive or pulverized fly ash, or any other deleterious material has been used in the construction of these properties and we are therefore unable to report that the properties were free from risk in this respect. For the purpose of this valuation, we have assumed that such investigation would not disclose the presence of any such material in any adverse conditions.

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

Our valuations have been prepared in accordance with the HKIS Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Surveyors and all the requirements contained in Chapter 5 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

We enclose herewith the summary of values and valuation certificates.

Yours faithfully,
For and on behalf of
Vigers Appraisal & Consulting Limited
Gilbert K. M. YUEN
MRICS MHKIS RPS(GP)
Executive Director

Note: Mr. Gilbert K. M. Yuen is a Registered Professional Surveyor in General Practice Division with over 20 years' valuation experience on properties in Hong Kong.

APPENDIX I

PROPERTY VALUATION REPORT ON THE PROPERTIES

Summary of Values

Group I — Properties held for investment by the Group

Property	Market Value in Existing State as at 17 May 2010 <i>HK\$</i>	Interest attributable to the Group	Market Value attributable to the Group as at 17 May 2010 <i>HK\$</i>
1. First Excelsior Properties (as defined in the circular of the Company dated 18 June 2010 (the “Circular”) in which this valuation report has been incorporated, a detailed description of which is set out in the valuation certificate for Property No.1 below)	780,000,000	100%	780,000,000
2. Second Excelsior Properties (as defined in the Circular, a detailed description of which is set out in the valuation certificate for Property No.2 below)	1,370,000,000	100%	1,370,000,000
3. Southorn Centre Properties (as defined in the Circular, a detailed description of which is set out in the valuation certificate for Property No.3 below)	1,128,000,000	100%	1,128,000,000
Sub-total:	3,278,000,000		3,278,000,000

APPENDIX I

PROPERTY VALUATION REPORT ON THE PROPERTIES

Summary of Values

Group II — Properties held for sale by the Group

Property	Market Value in Existing State as at 17 May 2010 <i>HK\$</i>	Interest attributable to the Group	Market Value attributable to the Group as at 17 May 2010 <i>HK\$</i>
4. First York Place Property (as defined in the Circular, a detailed description of which is set out in the valuation certificate for Property No.4 below)	50,000,000	100%	50,000,000
5. Second York Place Property (as defined in the Circular, a detailed description of which is set out in the valuation certificate for Property No.5 below)	70,000,000	100%	70,000,000
Sub-total:	120,000,000		120,000,000
Total:	3,398,000,000		3,398,000,000

Valuation Certificates

Group I — Properties held for investment by the Group

			Market Value attributable to the Group as at 17 May 2010
Property	Description & Tenure	Particular of Occupancy	
1. a. Shop Nos. 1 to 3, 6 to 12 on Ground Floor, Unit Nos. 6 to 11 on 1st Floor, Excelsior Plaza, Yee On Building, No. 26 East Point Road.	The property comprises 13 shops on Ground Floor and 6 units on 1st Floor of Excelsior Plaza which was completed in 1972.	As provided by the Group, the property is subject to various tenancies at a monthly rent of HK\$1,790,000 exclusive of rates and management fees and the latest expiry date is on 11 March 2013.	HK\$780,000,000 (100% interest attributable to the Group: HK\$780,000,000)
	The gross floor area of the property is as follows:		
	Shop No.	Gross Area (sq.ft.)	
	1-3, G/F	2,353	
b. Shop Nos. 21, 23 and 24 on Ground Floor, Excelsior Plaza, Chee On Building, No. 24 East Point Road.	6-8,	909 (G/F)	
	G/F & 1/F	820 (1/F)	
	9-12, G/F	909	
	9-11, 1/F	819	
	21, G/F	458	
c. External Walls on Ground Floor, 1st Floor and 2nd Floor, Excelsior Plaza, Yee On Building, No. 26 East Point Road.	23-24, G/F	915	
d. Main Roof of Yee On Building, No. 26 East Point Road.	Total	7,183	
		The property is held under Government Leases:	
		Section B of sub-section 1 of Section A, sub-section 3 of Section G, sub- section 1 of Section G, Section A of sub-section 1 of Section A of Marine Lot No. 52 and the Extension thereto: 999 years commencing from 25 June 1843.	
		The Remaining Portion of Inland Lot No. 469, the Remaining Portion of Section A of Inland Lot No. 470: 999 years commencing from 24 December 1865.	

APPENDIX I

PROPERTY VALUATION REPORT ON THE PROPERTIES

			Market Value attributable to the Group as at 17 May 2010
Property	Description & Tenure	Particular of Occupancy	
3,940/25,261st of 41/465th shares of and in sub-section 1 of Section G, Section A of sub- section 1 of Section A of Marine Lot No. 52 and the Extension thereto (Yee On Building).	— ditto —	— ditto —	— ditto —
2/465th shares of and in sub-section 1 of Section G, Section A of sub- section 1 of Section A of Marine Lot No. 52 and the Extension thereto (Main Roof of Yee On Building).			
50/25,261st of 41/ 465th shares of and in sub-section 1 of Section G, Section A of sub-section 1 of Section A of Marine Lot No. 52 and the Extension thereto (External Walls on G/F-2/F of Yee On Building)			
2,541/40,057th of 86/504th shares of and in Section B of sub-section 1 of Section A, sub- section 3 of Section G of Marine Lot No. 52 and the Extension thereto, the Remaining Portion of Inland Lot No. 469 and the Remaining Portion of Section A of Inland Lot No. 470 (Chee On Building).			

APPENDIX I PROPERTY VALUATION REPORT ON THE PROPERTIES

Notes:

1. According to the record in the Land Registry, the registered owner of the property is Sunny Ocean Limited.
2. The property is subject to a legal charge in favor of Standard Chartered Bank to the extent of part of all moneys vide Memorial No. UB 8209818 dated 27 September 2000 (except External Walls on Ground Floor, 1st Floor and 2nd Floor, Excelsior Plaza and Main Roof of Yee On Building).
3. The property is subject to Order No. D00256/HK/09 by the Building Authority under section 26 of the Buildings Ordinance vide Memorial No. 09110300600076 dated 18 September 2009 (relates to the properties of Chee On Building).

APPENDIX I

PROPERTY VALUATION REPORT ON THE PROPERTIES

			Market Value attributable to the Group as at 17 May 2010										
Property	Description & Tenure	Particular of Occupancy											
2. a. Shop No. 31 on 1st Floor, Excelsior Plaza, Chee On Building, No. 24 East Point Road.	The property comprises various shops and areas on G/F to 2/F, namely Excelsior Plaza — Laforet. The property was completed in 1972. The gross floor area of the property is as follows:	As provided by the Group, the property has been leased to various tenants under various tenancies with the latest expiry on 31 August 2013. The total rental income of the shops on G/F, 1/F and 2/F is HK\$7,170,836 exclusive of rates and management fees. In addition, the property has also income under various licences for signage, advertising spaces and LED display etc. The total monthly licence incomes except the LED display on the Ground Floor as at the date of valuation were HK\$304,685 net of outgoings. The LED display on the Ground Floor is charged at 82% of the gross revenue of the licensee exclusive of rates and management fees, which were totally HK\$1,078,957.53 in 2009 and HK\$35,846.3 from January to March 2010.	HK\$1,370,000,000 (100% interest attributable to the Group: HK\$1,370,000,000)										
b. Shop No. 32 (Part) on G/F, 1/F and 2/F, Excelsior Plaza, Chee On Building, No. 24 East Point Road.	<table><tr><th>Shop No.</th><th>Gross Area (sq.ft.)</th></tr><tr><td>G01</td><td>7,009</td></tr><tr><td>101 - 158 (1/F)</td><td>15,063</td></tr><tr><td>201 - 282 (2/F)</td><td>28,405</td></tr><tr><td>Total</td><td><u>50,477</u></td></tr></table>	Shop No.	Gross Area (sq.ft.)	G01	7,009	101 - 158 (1/F)	15,063	201 - 282 (2/F)	28,405	Total	<u>50,477</u>		
Shop No.	Gross Area (sq.ft.)												
G01	7,009												
101 - 158 (1/F)	15,063												
201 - 282 (2/F)	28,405												
Total	<u>50,477</u>												
c. Shop No. 32 (Part) on 2nd Floor, Excelsior Plaza, Chee On Building, No. 24 East Point Road.	The property is held under Government Leases: Section B of sub-section 1 of Section A, sub-section 3 of Section G, sub-section 1 of Section G, Section A of sub-section 1 of Section A, sub-section 2 of Section G of Marine Lot No. 52 and the Extension thereto: 999 years commencing from 25 June 1843.												
d. External Walls on the Ground Floor, 1st Floor and 2nd Floor, Excelsior Plaza, Chee On Building, No. 24 East Point Road.	The Remaining Portion of Inland Lot No. 469, The Remaining Portion of Section A of Inland Lot No. 470: 999 years commencing from 24 December 1865.												
e. Reserved shares for Naming Right of Excelsior Plaza in respect of G/F, 1/F & 2/F in Chee On Building, No. 24 East Point Road.													

APPENDIX I

PROPERTY VALUATION REPORT ON THE PROPERTIES

			Market Value attributable to the Group as at 17 May 2010
Property	Description & Tenure	Particular of Occupancy	
f.	Main Roof, Chee On Building, No. 24 East Point Road.	— ditto —	— ditto —
g.	Reserved Area (Unit G) on 2nd Floor, Excelsior Plaza, Yee On Building, No. 26 East Point Road.		
h.	Shop No. 32 (Part) on 2nd Floor, Excelsior Plaza, Yee On Building, No. 26 East Point Road.		
i.	Reserved shares of and in the Land and Yee On Building forming part of The Excelsior Plaza in respect of G/F, 1/F & 2/F of Yee On Building, No. 26 East Point Road.		
j.	External Walls on G/F, 1/F & 2/F, The Annex Land Building of Excelsior Plaza, Nos. 24/26 East Point Road.		

APPENDIX I

PROPERTY VALUATION REPORT ON THE PROPERTIES

			Market Value attributable to the Group as at 17 May 2010
Property	Description & Tenure	Particular of Occupancy	
k.	5 Reserved shares of and in the Land and Annex Land Building forming part of the Excelsior Plaza in respect of G/F, 1/F & 2/F of Annex Land Building, Nos. 24/26 East Point Road.	— ditto —	— ditto —
l.	Part of Shop No. 32 on 2nd Floor, The Annex Land Building of Excelsior Plaza, Nos. 24/26 East Point Road.		
m.	All that portion of the External Walls (Elevation Behind Escalator), The Annex Land Building of Excelsior Plaza, Nos. 24/ 26 East Point Road.		

APPENDIX I

PROPERTY VALUATION REPORT ON THE PROPERTIES

			Market Value attributable to the Group as at 17 May 2010
Property	Description & Tenure	Particular of Occupancy	
20,204/40,057th shares of and in 86/504th Section B of sub-section 1 of Section A, sub-section 3 of Section G of Marine Lot No. 52 and the Extension thereto, the Remaining Portion of Inland Lot No. 469, the Remaining Portion of Section A of Inland Lot No. 470 (Chee On Building)	— ditto —	— ditto —	— ditto —
2/504th shares of and in Section B of sub-section 1 of Section A, sub-section 3 of Section G of Marine Lot No. 52 and the Extension thereto, the Remaining Portion of Inland Lot No. 469, the Remaining Portion of Section A of Inland Lot No. 470 (Main Roof, Chee On Building)			
15,458/25,261st of 41/465th shares of and in sub-section 1 of Section G, Section A of sub-section 1 of Section A of Marine Lot No. 52 and the Extension thereto (Yee On Building)			

APPENDIX I

PROPERTY VALUATION REPORT ON THE PROPERTIES

			Market Value attributable to the Group as at 17 May 2010
Property	Description & Tenure	Particular of Occupancy	
1,416/19,032nd shares of and in sub-section 2 of Section G of Marine Lot No. 52 and the Extension thereto (The Annex Land Building)	— ditto —	— ditto —	— ditto —

- Notes:
- According to the record in the Land Registry, the registered owner is Viewide Properties Limited.
 - The property is subject to Order No. D00256/HK/09 by The Building Authority under section 26 of the Building Ordinance vide Memorial No. 09110300600076 dated 18 September 2009 (relates to the properties of The Annex Land Building and Chee On Building).
 - The property is subject to a legal charge to secure banking facilities in favor of Standard Chartered Bank vide Memorial No. UB8188892 dated 11 September 2000 (relates to properties of Yee On Building, Chee On Building and Part of Shop No. 32 on 2/F, The Annex Land Building except the Reserved shares of and in the Land and Yee On Building forming part of the Excelsior Plaza in respect of G/F, 1/F & 2/F of Yee On Building, External Walls on the G/F, 1/F and 2/F Excelsior Plaza, Reserved shares for Naming Right of Excelsior Plaza in respect of G/F, 1/F & 2/F and Main Roof of Chee On Building).
 - The breakdown value of the property is as follows:
Shop G01 on G/F: HK\$520,000,000
Shops on 1/F and 2/F: HK\$810,000,000
Signages and other licences: HK\$40,000,000

APPENDIX I

PROPERTY VALUATION REPORT ON THE PROPERTIES

			Market Value attributable to the Group as at 17 May 2010										
Property	Description & Tenure	Particular of Occupancy											
3. Shop Nos. 2 and 3 on Ground Floor and Commercial Accommodation on 1st and 2nd Floors (including Staircase facing O'Brien Road, Staircase facing Hennessy Road and Ground Floor Service Lift Area for exclusive use to Commercial Accommodation on 1/F and 2/F), Southorn Centre, Nos. 130 and 150 Hennessy Road, Hong Kong.	Southorn Centre comprises one office tower and one domestic tower built over a 4-storey commercial podium and 2 car park levels on basements 1 and 2. The building was completed in 1988. The property includes two shops on G/F, the whole commercial area on 1st and 2nd floors, 2 staircases (one facing Hennessy Road and one facing O'Brien Road) and G/F service lift area exclusively for the commercial area on 1st and 2nd floors of Southorn Centre. The property also consists of light boxes and advertising spaces. The gross floor area of the property is approximately as follows:	As provided by the Group, the property has been leased to various tenants with the latest expiry on 23 March 2012. The total monthly income is HK\$5,688,195 exclusive of rates and management fees. In addition, the property also has income under various light boxes and advertising spaces. The total monthly licence incomes as at the date of valuation were HK\$328,714 exclusive of rates and management fees.	HK\$1,128,000,000 (100% interest attributable to the Group: HK\$1,128,000,000)										
3,199/70,500th shares of and in Inland Lot No. 8562.	<table><tr><th>Shop No.</th><th>Gross Area (sq.ft.)</th></tr><tr><td>2-3, G/F</td><td>5,004</td></tr><tr><td>1/F</td><td>17,485</td></tr><tr><td>2/F</td><td>18,238</td></tr><tr><td>Total</td><td>40,727</td></tr></table> The property is held under Conditions of Grant No. 11830 for a term of 75 years commencing from 23 May 1985 with the right of renewal for a further term of 75 years.	Shop No.	Gross Area (sq.ft.)	2-3, G/F	5,004	1/F	17,485	2/F	18,238	Total	40,727		
Shop No.	Gross Area (sq.ft.)												
2-3, G/F	5,004												
1/F	17,485												
2/F	18,238												
Total	40,727												

Notes:

- According to the record in the Land Registry, the registered owner is Baharica Limited.
- The property is subject to a mortgage in favour of DBS Bank Ltd., Hong Kong Branch vide Memorial No. 09123103180108 dated 11 December 2009.

APPENDIX I

PROPERTY VALUATION REPORT ON THE PROPERTIES

Group II — Properties held for sale by the Group

Property	Description & Tenure	Particular of Occupancy	Market Value attributable to the Group as at 17 May 2010
4. Shop 1, York Place, No. 22 Johnston Road, Hong Kong.	The property comprises a shop unit on Ground Floor of a 40-storey composite building which was completed in 2009. The gross floor area of the property is approximately of 3,337 sq.ft. (310.01 sq.m.). The property is held under Government Lease for a term of 999 years commencing from 5 October 1849. The Government rent is HK\$144 per annum (ML No. 296).	As provided by the Group, the property is vacant.	HK\$50,000,000 (100% interest attributable to the Group: HK\$50,000,000)

Note:

1. According to the record in the Land Registry, the registered owner is Fair City Limited.

APPENDIX I

PROPERTY VALUATION REPORT ON THE PROPERTIES

Property	Description & Tenure	Particular of Occupancy	Market Value attributable to the Group as at 17 May 2010
5. Shop 2, York Place, No. 22 Johnston Road, Hong Kong.	The property comprises a shop unit on Ground Floor of a 40-storey composite building which was completed in 2009. The gross floor area of the property is approximately of 4,773 sq.ft. (443.42 sq.m.). The property is held under Government Lease for a term of 999 years commencing from 5 October 1849. The Government rent is HK\$144 per annum (ML No. 296).	As provided by the Group, the property is vacant.	HK\$70,000,000 (100% interest attributable to the Group: HK\$70,000,000)
282/5883rd shares of and in Marine Lot No. 296.			

Note:

1. According to the record in the Land Registry, the registered owner is Fair City Limited.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS’ INTERESTS

- (a) As at the Latest Practicable Date, the interests and short positions of each Director in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he/she was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules (the “**Model Code**”), to be notified to the Company and the Stock Exchange were as follows:

Long Positions

(i) The Company

Name of Directors	Capacity	Number and class of Shares	Approximate percentage of shareholding in the same class of securities as at the Latest Practicable Date
Mr. Lau	Founder and beneficiary of trust	230,984,820 ordinary (Note 1)	
	Founder and beneficiary of trust	1,198,658,948 ordinary (Note 2)	
		1,429,643,768	74.43%
Lau, Ming-wai (“Mr. MW Lau”)	Beneficiary of trust	230,984,820 ordinary (Note 1)	
	Beneficiary of trust	1,198,658,948 ordinary (Note 2)	
		1,429,643,768	74.43%

Notes:

- 1. These Shares were indirectly owned by a discretionary trust of which Mr. Lau was the founder. Mr. Lau, Mr. MW Lau and certain other family members of Mr. Lau were eligible beneficiaries of that trust.
- 2. These Shares were held by a unit trust of which Mr. Lau was one of the unit holders. The rest of the units in the unit trust were held by a discretionary trust of which Mr. Lau was the founder. Mr. MW Lau and certain other family members of Mr. Lau were eligible beneficiaries of the discretionary trust.

(ii) Associated corporations of the Company

Name of companies	Name of Director	Capacity	Number of shares	Approximate percentage of issued share capital
Chi Cheung Investment Company, Limited (“Chi Cheung”)	Mr. Lau	Founder of trust, beneficiary of trust and interest in controlled corporation	209,931,186 (Note 1)	61.96%
G-Prop (Holdings) Limited (“G-Prop”)	Mr. Lau	Founder of trust, beneficiary of trust and interest in controlled corporation	1,018,380,590 (Note 2)	41.93%
G-Prop	Mr. Lau	Interest in controlled corporation	493,678,883 (Note 3)	20.33%

Notes:

- 1. Mr. Lau, by virtue of his 74.43% interests in the issued share capital of the Company as disclosed in paragraph (i) above, was deemed to be interested in 209,931,186 shares of Chi Cheung held by Billion Up Limited, an indirect wholly-owned subsidiary of the Company.
- 2. Mr. Lau, by virtue of his 74.43% interests in the issued share capital of the Company as disclosed in paragraph (i) above, was deemed to be interested in 1,018,380,590 shares of G-Prop held by Mass Rise Limited, an indirect wholly-owned subsidiary of the Company.
- 3. Such interests were held by a company of which Mr. Lau was the sole ultimate beneficial owner.

- (b) Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.
- (c) As at the Latest Practicable Date, save for the indirect interests of Mr. Lau for acquiring the various assets under the SP Agreements, none of the Directors had any interest, direct or indirect, in any asset which have since 31 December 2009, being the date to which the latest published audited financial statements of the Group were made up, been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (d) As at the Latest Practicable Date, save for the SP Agreements and the CCT Agreements which are to be entered into upon completion of the relevant SP Agreements, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group, which contract or arrangement was subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group.
- (e) Save as disclosed above, none of the Directors was a director or an employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors entered or proposed to enter into any service contract with any member of the Group which is not determinable by the employer within one year without payment of compensation other than statutory compensation.

4. MATERIAL ADVERSE CHANGE

Recently, the People's Republic of China and the HKSAR Governments have implemented measures to cool down the residential property market. Further, the issues on certain European Sovereignty debts have not been satisfactorily resolved. These factors have posted uncertainty towards the general economy of Hong Kong and, to a certain extent, resulted in a negative sentiment over the overall property and stock markets in Hong Kong. If the current market sentiment subsists on 30 June 2010, the Group may recognise a decrease in fair value of its properties and securities investments in its consolidated income statement for the six months ending 30 June 2010 when compared with their carrying value as at 31 December 2009.

Save as disclosed in the above, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2009, being the date to which the latest published audited financial statements of the Group were made up.

5. COMPETING INTEREST

As disclosed in paragraph 2(a)(ii) of “Directors’ Interests” in this appendix, both Mr. Lau and Mr. MW Lau have certain deemed interests in Chi Cheung and G-Prop (Mr. Lau also has certain direct interests in G-Prop). Mr. Lau is also a director of certain subsidiaries of Chi Cheung. The businesses of both Chi Cheung and G-Prop involve property investment and/or property development. As such, they are regarded as being interested in such businesses, which competed or might compete with the Group. Such businesses are managed by separate publicly listed companies with independent management. The respective board composition of Chi Cheung and G-Prop are different and separate. As such, the Group is capable of carrying on its businesses independently of, and at arm’s length from, the businesses of Chi Cheung and G-Prop.

Besides, each of Mr. Lau and Mr. MW Lau has personal interests in private companies engaged in property development and investment in Hong Kong as well as securities investment businesses. Mr. Lau also has personal interests in private companies engaged in money lending business. As such, they are regarded as being interested in such businesses which compete or may compete with the Group. Nevertheless, given the size of such investments when compared with the size of operations and the investment portfolio of the Group, such investments were considered immaterial as compared with the business interests of the Company. Given that the securities investment and money lending businesses of the Group and the private companies are independently operated by different management teams, the Directors consider that the Company is capable of carrying on its securities investment and money lending businesses independently of and at arm’s length from these competing businesses. Neither Mr. Lau nor Mr. MW Lau currently has any intention to inject his private businesses or property interests into the Group.

After completion of the SP Agreements, Mr. Lau will through the respective purchasers of the SP Agreements hold the Properties, which will enlarge Mr. Lau’s personal investment property portfolio and thus increase the competition or potential competition with the properties owned by the Group for potential tenancies, especially in the core shopping area of Causeway Bay, Hong Kong where the bulk of the Properties, and the Group’s self-owned prime retail property portfolio, are located. In order to manage the potential competition between Mr. Lau’s interests in the Properties and the property interests of the Group, Mr. Lau has given certain undertakings in favour of the Company under the relevant SP Agreements. For details of such undertakings and measures proposed by the Company to monitor such undertakings, please refer to the paragraph headed “Competing Interests” in the section headed “Letter from the Board” of this circular.

The Board considers that the safeguards provided under such undertakings and the proposed measures are able to help resolve the potential competition conflict between Mr. Lau and the Group that may follow from completion of the Disposal Transactions.

6. QUALIFICATION AND CONSENT OF EXPERTS

The following is the qualification of the experts who have given their opinions or advice which are contained in this circular.

Name	Qualification
Guangdong Securities	A licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
Vigers Appraisal & Consulting Limited	An independent professional property valuer

As at the Latest Practicable Date, each of the above experts:—

- (a) did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (b) did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2009, being the date up to which the latest published audited financial statements of the Group were made; and
- (c) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of and references to its name, letter and/or report in the form and context in which they respectively appear.

7. GENERAL

This English text of this circular and the form of proxy shall prevail over the Chinese text.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company in Hong Kong at 26th Floor, MassMutual Tower, 38 Gloucester Road, Wanchai, Hong Kong during normal business hours on any weekdays (except public holidays) from the date of this circular up to and including the date of the SGM:

- (a) each of the SP Agreements;
- (b) the letter from the Independent Board Committee containing its advice to the Independent Shareholders, the text of which is set out in the section headed “Letter from the Independent Board Committee” in this circular;
- (c) the letter from Guangdong Securities containing its advice to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed “Letter from Guangdong Securities” in this circular;
- (d) the property valuation report from Vigers Appraisal & Consulting Limited in respect of the valuation of the Properties, the text of which is set out in Appendix I to this circular; and
- (e) the written consent of the experts referred to in the paragraph headed “Qualification and Consent of Experts” in this appendix.

NOTICE OF SGM



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 “Meeting”) of Chinese Estates Holdings Limited (the “Company”) will be held at JW Marriott Ballroom, Level 3, Salon 1-3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Wednesday, 7 July 2010 at 10:00 a.m. for the purpose of considering and, if thought fit, with or without amendments, passing the following ordinary resolution:

ORDINARY RESOLUTION

“THAT

- (a) the sale and purchase agreement dated 17 May 2010 and entered into between Gold Horse Limited (an indirect wholly-owned subsidiary of the Company) (“**Gold Horse**”), the Company, Tycoon City Limited (“**Tycoon City**”) and Mr. Joseph Lau, Luen-hung (“**Mr. Lau**”) relating to the entire issued share capital of Global Smart Ltd. (the “**First SP Agreement**”) (a copy of which has been produced to the Meeting marked “A” and signed by the chairman of the Meeting for the purpose of identification) and all the transactions contemplated thereby;
- (b) the sale and purchase agreement dated 17 May 2010 and entered into between Gold Horse, the Company, Energy Kingdom Limited and Mr. Lau relating to the entire issued share capital of Jolly Gain Limited (the “**Second SP Agreement**”) (a copy of which has been produced to the Meeting marked “B” and signed by the chairman of the Meeting for the purpose of identification) and all the transactions contemplated thereby;
- (c) the sale and purchase agreement dated 17 May 2010 and entered into between Gold Horse, the Company, Tycoon City and Mr. Lau relating to the entire issued share capital of Dynamic Source Limited (the “**Third SP Agreement**”) (a copy of which has been produced to the Meeting marked “C” and signed by the chairman of the Meeting for the purpose of identification) and all the transactions contemplated thereby;
- (d) the sale and purchase agreement dated 17 May 2010 and entered into between Fair City Limited (an indirect wholly-owned subsidiary of the Company) (“**Fair City**”), the Company, Glory City Limited and Mr. Lau relating to the property known as “Shop 1, York Place, No. 22 Johnston Road, Hong Kong” (the “**Fourth SP Agreement**”) (a copy of which has been produced to the Meeting marked “D” and signed by the chairman of the Meeting for the purpose of identification) and all the transactions contemplated thereby;

NOTICE OF SGM

- (e) the sale and purchase agreement dated 17 May 2010 and entered into between Fair City, the Company, Rich Force Limited and Mr. Lau relating to the property known as “Shop 2, York Place, No. 22 Johnston Road, Hong Kong” (the “**Fifth SP Agreement**”) (a copy of which has been produced to the Meeting marked “E” and signed by the chairman of the Meeting for the purpose of identification) and all the transactions contemplated thereby; and
- (f) the sale and purchase agreement dated 17 May 2010 and entered into between Gold Horse, the Company, Smart Object Limited and Mr. Lau relating to the entire issued share capital of Grand Lucky Ltd. (the “**Sixth SP Agreement**”) (a copy of which has been produced to the Meeting marked “F” and signed by the chairman of the Meeting for the purpose of identification) and all the transactions contemplated thereby;

be and are hereby approved and any one director or the company secretary of the Company be authorised for and on behalf of the Company, among other matters, to sign, execute, perfect, deliver or to authorise signing, executing, perfecting and delivering each of the (a) First SP Agreement; (b) Second SP Agreement; (c) Third SP Agreement; (d) Fourth SP Agreement; (e) Fifth SP Agreement and (f) Sixth SP Agreement (collectively, the “**Agreements**”), and all such documents and deeds, to do or authorise doing all such acts, matters and things as he/she may in his/her discretion consider necessary, expedient or desirable to give effect to and implement and/or complete all matters in connection with the transactions contemplated in each of the Agreements and to waive compliance from or make and agree such variations of a non-material nature to any of the terms of the Agreements, as he/she may in his/her absolute discretion consider to be desirable and in the interests of the Company and all of such director’s or company secretary’s acts as aforesaid be hereby approved, ratified and confirmed.”

By Order of the Board
Lam, Kwong-wai
Company Secretary

Hong Kong, 18 June 2010

Registered office:
Canon’s Court
22 Victoria Street
Hamilton HM 12
Bermuda

Principal office in Hong Kong:
26th Floor
MassMutual Tower
38 Gloucester Road
Wanchai
Hong Kong

NOTICE OF SGM

Notes:

1. The register of members of the Company will be closed from 5 July 2010 to 7 July 2010, both days inclusive. For the purpose of ascertaining the members' entitlement to the attendance of the Meeting, all share transfers documents accompanied by the relevant share certificates must be lodged with the Company's branch registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 2 July 2010.
2. Any shareholder of the Company (the "Shareholder(s)") entitled to attend and vote at the Meeting is entitled to appoint one or more separate proxies to attend and to vote instead of him. A proxy need not be a Shareholder.
3. To be valid, the form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) must be deposited at the Company's branch registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the Meeting (or at any adjournment thereof).
4. Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the Meeting or at any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto; but if more than one of such joint holders are present at the Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
6. Resolution as set out in this notice will be taken by poll at the Meeting.
7. As at the date hereof, the Board comprised Mr. Joseph Lau, Luen-hung as Executive Director, 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.