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If you have sold or transferred all your shares in G-Prop (Holdings) Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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G·PROP
(HOLDINGS) LIMITED

G-PROP (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 286)

FINANCIAL ASSISTANCE AND CONTINUING CONNECTED TRANSACTIONS

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



VC CAPITAL LIMITED
滙盈融資有限公司

Capitalised terms used in this cover shall have the same meanings as defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 4 to 13 of this circular. A letter from the Independent Board Committee is set out on page 14 of this circular. A letter from VC Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 15 to 29 of this circular.

A notice convening the SGM to be held at Concord Room II-III, 8th Floor, Renaissance Harbour View Hotel Hong Kong, No. 1 Harbour Road, Wanchai, Hong Kong at 9:30 a.m. on 28 October 2011 is set out on pages 34 to 35 of this circular. A form of proxy for use at the SGM is also enclosed. If you are not able to attend the SGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit it with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 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.

12 October 2011

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DEFINITIONS

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

“associates”	has the meaning as ascribed thereto under Rule 1.01 and Rule 14A.11(4) of the Listing Rules
“Board”	the board of Directors
“CE”	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, the guarantor of the Former Loan Agreement and the guarantor of the Loan Agreement
“CE Group”	CE and its subsidiaries (not including the Group and Chi Cheung and its subsidiaries)
“Chi Cheung”	Chi Cheung Investment Company, Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Main Board of the Stock Exchange
“Company”	G-Prop (Holdings) Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on the Main Board of the Stock Exchange, the lender of the Former Loan Agreement and the lender of the Loan Agreement
“Continuing Connected Transactions”	the continuing connected transactions contemplated under the Loan Agreement
“Directors”	directors of the Company
“Fancy Mark”	Fancy Mark Limited (trading as Fancy Mark Capital Limited in Hong Kong), a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of CE, the borrower of the Former Loan Agreement and the borrower of the Loan Agreement

DEFINITIONS

“Former Loan Agreement”	the agreement dated 4 November 2008 and entered into between the Company (as lender), Fancy Mark (as borrower) and CE (as guarantor) in relation to a three-year revolving facility of up to HK\$200 million
“Group”	the Company and its subsidiaries
“HIBOR”	in relation to the determination of the rate of interest chargeable on the amount outstanding under the facility contemplated under the Loan Agreement, the rate for the relevant period displayed on page HKAB HIBOR of the Reuters Monitor Money Rate Services. If the agreed page or service is not available, the Company may after consultation with Fancy Mark, determine another page or service displaying appropriate rate for one-month deposit in Hong Kong dollar, at or about 11:15 a.m. on such business day
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the board committee comprising all three independent non-executive Directors, Dr. David Chain, Chi-woo, Mr. Lam, Yat-fai and Mr. Leung, Yun-fai, which has been established by the Board for the purpose of advising the Independent Shareholders in relation to the Continuing Connected Transactions
“Independent Shareholder(s)”	Shareholder(s) other than those with a material interest in the Continuing Connected Transactions and their associates
“Latest Practicable Date”	7 October 2011, 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
“Loan Agreement”	the agreement dated 22 September 2011 and entered into between the Company (as lender), Fancy Mark (as borrower) and CE (as guarantor) in relation to a three-year revolving facility of up to HK\$300 million

DEFINITIONS

“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	a special general meeting of the Company to be held on 28 October 2011 for the purpose of considering, and if thought fit, approving the Continuing Connected Transactions by the Independent Shareholders
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“VC Capital”	VC Capital Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



G-PROP
(HOLDINGS) LIMITED

G-PROP (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 286)

Executive Directors:

Mr. Kong, Chi-ming (*Deputy Chairman*)

Mr. Leung, Wing-pong (*Chief Executive Officer*)

Independent non-executive Directors:

Dr. David Chain, Chi-woo

Mr. Lam, Yat-fai

Mr. Leung, Yun-fai

Registered office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

*Head office and principal place of
business in Hong Kong:*

26th Floor

MassMutual Tower

38 Gloucester Road

Wanchai

Hong Kong

12 October 2011

To the Shareholders

Dear Sir or Madam,

FINANCIAL ASSISTANCE AND CONTINUING CONNECTED TRANSACTIONS

1. INTRODUCTION

As disclosed in the announcement of the Company dated 22 September 2011, the term of the facility granted under the Former Loan Agreement will expire on 3 November 2011 and the Company (as lender), Fancy Mark (as borrower) and CE (as guarantor) entered into the Loan Agreement in relation to a three-year revolving facility of up to HK\$300 million on 22 September 2011 to continue the loan arrangement.

LETTER FROM THE BOARD

The Company is an indirect non-wholly-owned subsidiary of CE and pursuant to Rules 14A.13(2)(a)(i) and 14A.14 of the Listing Rules, the Continuing Connected Transactions constitute financial assistance and continuing connected transactions for the Company. Accordingly, the Loan Agreement, the relevant expected cap amounts and the transactions contemplated thereunder are subject to reporting, announcement and the approval of the Independent Shareholders at the SGM and annual review.

The purpose of this circular is to provide you with information in relation to, among other matters, the Continuing Connected Transactions, the advice of the Independent Board Committee and the letter of advice from VC Capital to the Independent Board Committee and the Independent Shareholders.

2. FINANCIAL ASSISTANCE AND CONTINUING CONNECTED TRANSACTIONS

The Loan Agreement

Date

22 September 2011

Facility

Three-year revolving facility of up to HK\$300 million.

Borrower

Fancy Mark, which is not engaged in any business currently, other than acting as the borrower under the Former Loan Agreement.

Guarantor

CE

CE provides the guarantee which is a continuing guarantee and will extend to the ultimate balance of sums payable by Fancy Mark under the Loan Agreement, regardless of any intermediate payment or discharge in whole or in part.

Lender

The Company

LETTER FROM THE BOARD

Purpose

To finance capital expenditure and general working capital of CE and its wholly-owned subsidiaries.

Final maturity

Three years from (a) the date on which all conditions precedent are fulfilled (or waived); and (b) 3 November 2011, whichever is later.

Availability period

The period from (a) the date on which all conditions precedent are fulfilled (or waived); and (b) 3 November 2011, whichever is later, to one business day prior to final maturity.

Conditions precedent

The obligation of the Company as the lender to make the facility available to Fancy Mark is subject to the fulfilment or waiver of the following conditions precedent:

- (1) the passing at the SGM of the Independent Shareholders of an ordinary resolution to approve the granting of the facility by the Company to Fancy Mark under and pursuant to the terms of the Loan Agreement;
- (2) the obtaining by the Company of all necessary consents, authorisations or other approvals (or, as the case may be, the relevant waiver) of any kind in connection with the entering into and performance by the Company of the terms of the Loan Agreement which may be required under the Listing Rules or from the Shareholders, the Stock Exchange, any regulatory authority, any relevant governmental agencies or other third parties;
- (3) the Company having received the following documents in form and substance reasonably satisfactory to it:
 - (a) the constitutional and corporate authorisation documents of Fancy Mark;
 - (b) the constitutional and corporate authorisation documents of CE;

LETTER FROM THE BOARD

- (c) legal opinions in respect of the Loan Agreement on matters pertaining to the laws of such jurisdictions issued by counsels acceptable and in forms and substance satisfactory to the Company in all respects; and
- (4) the obtaining by Fancy Mark and CE of all necessary consents, authorisations or other approvals (or, as the case may be, the relevant waiver) of any kind in connection with the entering into and performance by Fancy Mark as the borrower and CE as the guarantor of the Loan Agreement which may be required under the Listing Rules or from the shareholders of CE, the Stock Exchange, any regulatory authority, any relevant governmental agencies or other third parties.

The Company may in its discretion waive the condition precedent contained in paragraph (3) above by notice to Fancy Mark. None of the other conditions precedent can be waived by any of the parties to the Loan Agreement.

If any of the conditions precedent has not been fulfilled or waived on or before 5:00 p.m. on 31 March 2012 or such other date as the parties to the Loan Agreement may agree in writing, the Loan Agreement will cease to have effect.

Drawdown

Multiple drawings are allowed with each drawdown of not less than HK\$100,000.

The Company shall have the overriding right to (i) determine whether to permit the drawing of an advance by Fancy Mark under the facility and (ii) reduce the amount of advance requested by Fancy Mark, provided that the Company shall within one business day from its receipt of the drawdown notice notify Fancy Mark of its decision to disallow the advance or reduce the amount of the advance requested.

If a drawdown is made on the date when there remains an outstanding sum in the same amount (the “**Previous Loan**”) due by Fancy Mark under the Former Loan Agreement, the Previous Loan due under the Former Loan Agreement shall be deemed to have been fully repaid, and replaced by such drawdown made under the Loan Agreement, on the same date.

LETTER FROM THE BOARD

Repayment

The Company is entitled, by giving not less than one month's (or such shorter period as Fancy Mark may agree) prior notice to Fancy Mark, to demand full or partial repayment of the amount outstanding.

Fancy Mark shall also repay the aggregate of the principal amount outstanding under the facility, all accrued interest thereon and all other amount payable under the Loan Agreement on final maturity.

Fancy Mark may at any time without penalty or any other charges repay the whole or any part of the amount outstanding under the facility (if in part, being a minimum amount of HK\$100,000 and an integral multiple of HK\$100,000), provided that Fancy Mark shall have given to the Company not less than 14 days' (or such shorter period as the Company may agree) prior written notice of its intention to make such repayment, specifying the amount to be repaid and the proposed date of such repayment. Any amount so repaid by Fancy Mark shall first be applied towards the repayment of interest accrued up to the date of repayment and the balance shall be applied towards repayment of the principal amount outstanding under the facility.

Interest

HIBOR plus 1.5% per annum.

Collateral

Not required.

The Company may, without prejudice to any other rights of the Company as the lender, at any time after the happening of an event of default which includes, among other matters, non-payment by Fancy Mark, breach of obligations and warranties, so long as the same is continuing and has not been waived by notice to Fancy Mark declare that:

- (1) the obligation of the Company to make the facility available shall be terminated, whereupon any undrawn portion of the facility shall be reduced to zero forthwith; and/or
- (2) all amounts outstanding under the facility and all interest accrued and all other sums payable under the Loan Agreement have become due and payable, whereupon the same shall, immediately or in accordance with the terms of such notice, become due and payable.

LETTER FROM THE BOARD

Historical figures and the past caps

The following table sets out the aggregate historical amounts of the maximum principal outstanding under the facility granted by the Company to Fancy Mark under the Former Loan Agreement and the annual interest paid by Fancy Mark for each of the following periods:

	From 4 November 2008 to 31 December 2008	For the year ended 31 December 2009	For the year ended 31 December 2010	From 1 January 2011 to 28 September 2011
Historical amounts (approximate)				
Maximum principal owed during the period	HK\$136 million	HK\$200 million	HK\$200 million	HK\$200 million
Interest	<u>HK\$0.04 million</u>	<u>HK\$2 million</u>	<u>HK\$2 million</u>	<u>HK\$2 million</u>
Total amounts	<u>HK\$136.04 million</u>	<u>HK\$202 million</u>	<u>HK\$202 million</u>	<u>HK\$202 million</u>

The following table sets out the past annual cap amounts of the facility granted by the Company to Fancy Mark under the Former Loan Agreement for each of the following periods:

	From 4 November 2008 to 31 December 2008	For the year ended 31 December 2009	For the year ended 31 December 2010	From 1 January 2011 to 3 November 2011
Past annual cap amounts	HK\$203 million	HK\$216 million	HK\$216 million	HK\$214 million

Expected cap amounts

The following table sets out the expected cap amounts of the facility to be granted by the Company to Fancy Mark under the Loan Agreement for each of the following periods:

	From 3 November 2011 to 31 December 2011	For the year ending 31 December 2012	For the year ending 31 December 2013	From 1 January 2014 to 2 November 2014
Expected cap amounts	HK\$304 million	HK\$324 million	HK\$324 million	HK\$320 million

LETTER FROM THE BOARD

The aforesaid expected cap amounts are determined by using the aggregate of the principal amount outstanding under the facility to be granted by the Company and the annual interest payable under the Loan Agreement, based on the assumption that Fancy Mark will borrow up to HK\$300 million for each of (i) the period from 3 November 2011 to 31 December 2011; (ii) the year ending 31 December 2012; (iii) the year ending 31 December 2013; and (iv) the period from 1 January 2014 to 2 November 2014 respectively.

Reasons for the Continuing Connected Transactions

The Group is principally engaged in investment and finance, and property investment. Given the current global economic condition and the volatility of the stock market, the management of the Company currently has not identified any potential projects or investment opportunities suitable for the Group to pursue for the abundant cash on hand. On the other hand, any substantial distribution of idle cash to the Shareholders would curb the Company's ability to invest in other potential projects that may generate a higher-yield of income to the Company as and when appropriate and would also limit the Group's flexibility in weathering any sudden changes in the operating environment in the face of the downturn in the global economy and the recent volatility in the capital and stock markets. As such, the management of the Company considers that, it is in the commercial interest of and beneficial to the Company to lend the amount of cash to Fancy Mark for a higher return than keeping such cash as bank deposits.

Furthermore, the Loan Agreement is contemplated to confer the Company the right to make final decision as to approve the drawdown by Fancy Mark and to demand repayment of the loan upon giving prior notice to Fancy Mark. This would provide flexibility to the Company to adjust its credit policy to the CE Group in accordance with the then situation of the Group and to utilise the money should any suitable investment opportunity arise.

In light of the above, the Directors consider that the granting of the facility to Fancy Mark pursuant to the Loan Agreement represents a justifiable method by the Company to maximise the value of the assets of the Company and hence the Shareholders' return on the Company.

The Directors are also of the view that the terms of the Loan Agreement (including the interest rate and repayment terms) and the abovementioned expected cap amounts are on normal commercial terms and are fair and reasonable and in the interests of the Shareholders as a whole.

LETTER FROM THE BOARD

Information on CE and Fancy Mark

CE is an investment holding company and its subsidiaries are principally engaged in property investment and development, brokerage, securities investment, money lending and cosmetics distribution and trading. Currently, the Company is an indirect non-wholly-owned subsidiary of CE.

Fancy Mark is not engaged in any business currently, other than acting as the borrower under the Former Loan Agreement.

3. RELATIONSHIP BETWEEN THE PARTIES AND IMPLICATION OF THE LISTING RULES

As at the Latest Practicable Date, CE is indirectly interested in approximately 41.93% of the issued share capital of the Company. Although the CE Group has only approximately 41.93% interest in the Company, the CE Group still has control over the Board and the governing power of its financial and operating policies. In addition, Mr. Joseph Lau, Luen-hung, a director of CE and also the controlling shareholder of CE, holds approximately 20.33% of the issued share capital of the Company through his indirect wholly-owned company. Thus, the Company remains as a subsidiary of CE.

Pursuant to Rule 13.13 of the Listing Rules, the Company has a general disclosure obligation as to the Continuing Connected Transactions. Furthermore, as at the Latest Practicable Date, the Company is an indirect non-wholly-owned subsidiary of CE and pursuant to Rules 14A.13(2)(a)(i) and 14A.14 of the Listing Rules, the Continuing Connected Transactions constitute financial assistance and continuing connected transactions for the Company. Accordingly, the Loan Agreement, the relevant expected cap amounts and the transactions contemplated thereunder are subject to reporting, announcement and the approval of the Independent Shareholders at the SGM and annual review.

The Continuing Connected Transactions are required to be approved, on a poll pursuant to Rule 13.39(4) of the Listing Rules, and by the Independent Shareholders pursuant to Rules 14A.17 and 14A.63 of the Listing Rules. Shareholders with a material interest in the Continuing Connected Transactions, and their associates are required to abstain from voting at the SGM in respect of the relevant resolution.

None of the Directors had any material interest in the Loan Agreement and/or the Continuing Connected Transactions. None of them were therefore required to abstain from voting on board resolutions of the Company in respect of such transactions.

LETTER FROM THE BOARD

4. SGM

The Company will convene a SGM to be held at Concord Room II-III, 8th Floor, Renaissance Harbour View Hotel Hong Kong, No. 1 Harbour Road, Wanchai, Hong Kong on 28 October 2011 at 9:30 a.m. to consider the Continuing Connected Transactions. A notice of the SGM is set out on pages 34 to 35 of this circular. As at the Latest Practicable Date, Mr. Joseph Lau, Luen-hung, a director of CE and also the controlling shareholder of CE, holds approximately 20.33% of the issued share capital of the Company through his indirect wholly-owned company. Accordingly, Mr. Joseph Lau, Luen-hung, CE and their respective associates will abstain from voting in respect of the ordinary resolution proposed to approve the Continuing Connected Transactions at the SGM. Save as disclosed, the Directors were not aware of any Shareholders who are required to abstain from voting in respect of the ordinary resolution proposed to approve the Continuing Connected Transactions at the SGM.

A form of proxy for use at the SGM is also enclosed. Whether or not you intend to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to Tricor Secretaries Limited, branch share registrar and transfer office of the Company in Hong Kong, at 26th Floor, Tesbury Centre, 28 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.

5. PROCEDURES FOR DEMANDING A POLL

Under the bye-laws of the Company, a poll can be demanded at the SGM by:

- (i) the chairman of the SGM; or
- (ii) at least three members present in person or by proxy for the time being entitled to vote at the SGM; or
- (iii) any member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the SGM; or
- (iv) any member or members present in person or by proxy and holding shares of the Company conferring a right to vote at the SGM being shares of the Company on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares of the Company conferring that right; or
- (v) if required by the Listing Rules, by any Director or Directors who, individually or collectively, hold proxies in respect of the shares of the Company representing 5% or more of the total voting rights at the SGM.

LETTER FROM THE BOARD

Pursuant to Rule 13.39(4) of the Listing Rules, the vote of the Independent Shareholders at the SGM to approve the Continuing Connected Transactions will be taken by poll, the results of which will be announced after the SGM.

6. CLOSURE OF REGISTER OF MEMBERS OF THE COMPANY

The register of members of the Company will be closed from 26 October 2011 to 28 October 2011, both days inclusive, for the purpose of determination of entitlements to attend and vote at the SGM.

As such, all share transfers documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 25 October 2011.

7. RECOMMENDATION

The Independent Board Committee, comprising all the independent non-executive Directors, namely Dr. David Chain, Chi-woo, Mr. Lam, Yat-fai and Mr. Leung, Yun-fai, has been established to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Continuing Connected Transactions. Your attention is drawn to the letter of advice from the Independent Board Committee set out on page 14 of this circular. Your attention is also drawn to the letter of advice from VC Capital to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions and the relevant expected cap amounts set out on pages 15 to 29 in this circular.

The Independent Board Committee, having taken into account the advice of VC Capital, considers that the Loan Agreement is on normal commercial terms, and that the Continuing Connected Transactions, together with the relevant expected cap amounts, are in the interests of the Company and the Shareholders as a whole. The Independent Board Committee also considers that the Continuing Connected Transactions and the relevant expected cap amounts of the Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned and recommend that the Independent Shareholders to vote in favour of the ordinary resolution to approve the Continuing Connected Transactions and the relevant expected cap amounts at the SGM.

8. ADDITIONAL INFORMATION

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

Yours faithfully,
By Order of the Board
G-Prop (Holdings) Limited
Lam, Kwong-wai
Company Secretary

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



G·PROP
(HOLDINGS) LIMITED

G-PROP (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 286)

12 October 2011

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular issued by the Company to the Shareholders and dated 12 October 2011 (“**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

Under the Listing Rules, the transactions contemplated under the Loan Agreement between the Company (as lender), Fancy Mark (as borrower) and CE (as guarantor) constitute continuing connected transactions for the Company and are thus subject to reporting, announcement and approval of the Independent Shareholders at the SGM and annual review.

We have been appointed by the Board to consider the terms of the Loan Agreement and to advise the Independent Shareholders in connection with the Continuing Connected Transactions as to whether, in our opinion, their terms and the relevant expected cap amounts are fair and reasonable so far as the Independent Shareholders are concerned. VC Capital has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this respect.

We wish to draw your attention to the letter from the Board and the letter from VC Capital as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of VC Capital as set out in its letter of advice, we consider that the Loan Agreement is on normal commercial terms, and that the Continuing Connected Transactions, together with the relevant expected cap amounts, are in the interests of the Company and the Shareholders as a whole. We also consider that the Continuing Connected Transactions and the relevant expected cap amounts 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 to approve the Loan Agreement, the Continuing Connected Transactions and the relevant expected cap amounts at the SGM.

Yours faithfully,
For and on behalf of

Independent Board Committee

David Chain, Chi-woo

Lam, Yat-fai

Leung, Yun-fai

Independent non-executive Directors

LETTER FROM VC CAPITAL

Set out below is the full text of a letter received from VC Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Loan Agreement (together with the relevant expected cap amounts) and the transactions contemplated thereunder for the purpose of inclusion in this circular.



12 October 2011

*To the Independent Board Committee and
the Independent Shareholders of G-Prop (Holdings) Limited*

Dear Sir or Madam,

FINANCIAL ASSISTANCE AND CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Loan Agreement, the Continuing Connected Transactions and the relevant expected cap amounts, details of which are set out in the letter from the Board as contained in the circular of the Company dated 12 October 2011 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

The Company announced on 22 September 2011 that the Loan Agreement was entered into by the Company (as lender), Fancy Mark (as borrower) and CE (as guarantor) on 22 September 2011, pursuant to which a revolving facility of up to HK\$300 million (the “**Facility**”) would be granted by the Company to Fancy Mark for a term of three years from (a) the date on which all conditions precedent under the Loan Agreement are fulfilled or waived; and (b) 3 November 2011, whichever is the later. The Loan Agreement was entered into as a continuation of the loan arrangement under the Former Loan Agreement, which will expire on 3 November 2011 (details of which are set out in the joint announcement and the circular of the Company dated 4 November 2008 and 25 November 2008 respectively).

LETTER FROM VC CAPITAL

As at the Latest Practicable Date, CE was indirectly interested in approximately 41.93% of the issued share capital of the Company. Although the CE Group has only approximately 41.93% interest in the Company, the CE Group still has control over its board and governing power of its financial and operating policies. In addition, Mr. Joseph Lau, Luen-hung, a director of CE and also the controlling shareholder of CE, holds approximately 20.33% of the issued share capital of the Company through his indirect wholly-owned company. Thus, the Company remains as a subsidiary of CE. As such, the transactions as contemplated under the Loan Agreement constitute financial assistance and continuing connected transactions on the part of the Company pursuant to Rules 14A.13(2)(a)(i) and 14A.14 of the Listing Rules. Accordingly, the Loan Agreement and the transactions contemplated thereunder, together with the relevant expected cap amounts, are subject to approval by the Independent Shareholders voting by way of poll at the SGM.

The Independent Board Committee, comprising all the independent non-executive Directors who do not have any material interest in the Loan Agreement and the Continuing Connected Transactions, namely Dr. David Chain, Chi-woo, Mr. Lam, Yat-fai and Mr. Leung, Yun-fai, has been established to advise on whether the Loan Agreement is on normal commercial terms, whether the Continuing Connected Transactions are in the ordinary and usual course of business of the Group, whether the terms of the Loan Agreement and the Continuing Connected Transactions (including the relevant expected cap amounts) are fair and reasonable so far as the Independent Shareholders are concerned, and whether the Continuing Connected Transactions and the relevant expected cap amounts are in the interests of the Company and the Shareholders as a whole.

In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion as to whether the Loan Agreement is on normal commercial terms, whether the Continuing Connected Transactions are in the ordinary and usual course of business of the Group, whether the terms of the Loan Agreement and the Continuing Connected Transactions (including the relevant expected cap amounts) are fair and reasonable so far as the Independent Shareholders are concerned, and whether the Continuing Connected Transactions and the relevant expected cap amounts are in the interests of the Company and the Shareholders as a whole.

VC Capital is not associated with the Company and its substantial Shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, is considered eligible to give independent advice on the Loan Agreement and the Continuing Connected Transactions. Apart from normal professional fees payable to us in connection with this engagement, no arrangement exists whereby VC Capital will receive any fees or benefits from the Company or its substantial Shareholders or any party acting, or presumed to be acting, in concert with any of them.

LETTER FROM VC CAPITAL

In formulating our opinion, we have relied on the information and facts supplied and opinions expressed by the executive Directors and management of the Group. We have assumed that all information and representations provided by the executive Directors and management of the Group, for which they are solely responsible, were true and accurate at the time they were prepared or made and will continue to be so up to the date of the SGM. We have no reason to doubt the truth, accuracy or completeness of the information and representations made to us by the executive Directors and management of the Group. The executive Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed. As such, we have no reason to suspect that any relevant information has been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided by the executive Directors and management of the Group to us, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading.

We consider we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We consider that we have obtained all relevant documents and information relevant to our assessment of the fairness and reasonableness of the Loan Agreement, the Continuing Connected Transactions and the relevant expected cap amounts. On the basis of the foregoing, we confirm that we have taken all reasonable steps as required under Rule 13.80 of the Listing Rules in arriving at our opinion. We have not, however, conducted any independent investigation into the business and affairs or the future prospects of the Group, nor have we carried out any independent verification of the information provided by the executive Directors and management of the Group.

The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading.

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PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the Loan Agreement is on normal commercial terms, whether the Continuing Connected Transactions are in the ordinary and usual course of business of the Group, whether the terms of the Loan Agreement and the Continuing Connected Transactions (including the relevant expected cap amounts) are fair and reasonable so far as the Independent Shareholders are concerned and whether the Continuing Connected Transactions and the relevant expected cap amounts are in the interests of the Company and the Shareholders as a whole, we have taken into account the following principal factors and reasons:–

1. Reasons for entering into the Loan Agreement

The Group is principally engaged in investment and finance, and property investment.

As stated in the “Letter from the Board” in the Circular, the Loan Agreement was entered into as a continuation of the loan arrangement under the Former Loan Agreement, which will expire on 3 November 2011 (details of which are set out in the joint announcement and the circular of the Company dated 4 November 2008 and 25 November 2008 respectively), for another term of three years. As at the Latest Practicable Date, the drawdown by Fancy Mark pursuant to the Former Loan Agreement amounted to HK\$200.0 million.

As stated in unaudited interim results of the Group for the six months ended 30 June 2011, the Group’s net current assets amounted to approximately HK\$376.1 million (being current assets in the amount of approximately HK\$378.0 million less current liabilities in the amount of approximately HK\$1.9 million). Out of the Group’s current assets in the sum of approximately HK\$378.0 million, HK\$200.0 million was loaned to Fancy Mark under the Former Loan Agreement, whilst the Group had time deposits and bank balances in the sum of approximately HK\$88.1 million and available-for-sale financial assets in the sum of approximately HK\$89.4 million. The Group had no short-term or long-term bank borrowings. Given the current global economic condition and the volatility of the stock market, the management of the Group has not identified any potential projects or appropriate investment opportunities to utilize the abundant cash on hand. We consider that although granting a loan facility to an entity is not in the ordinary and usual course of business of the Group, the granting of the Facility to Fancy Mark represents an alternative channel for the Group to treat its abundant cash on hand for a higher return than keeping such cash as bank deposits.

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The Loan Agreement provides for the scenario whereby if a drawdown is made on a date when there remains an outstanding sum in the same amount (the “**Previous Loan**”) due by Fancy Mark under the Former Loan Agreement, the Previous Loan due under the Former Loan Agreement shall be deemed to have been fully repaid, and replaced by such drawdown made under the Loan Agreement, on the same date. As further discussed under the paragraph headed “Principal terms of the Loan Agreement” below, pursuant to the Loan Agreement, the Company shall have the overriding right to (i) determine whether to permit the drawing of an advance by Fancy Mark under the Facility; and (ii) reduce the amount of advance requested by Fancy Mark, provided that the Company shall within one business day from its receipt of the drawdown notice notify Fancy Mark of its decision to disallow the advance or reduce the amount of the advance requested. Moreover, the Company is entitled, by giving not less than one month’s prior notice (or notice of such shorter period as Fancy Mark may agree) to Fancy Mark, to demand full or partial repayment of the amount outstanding. As such, the Facility in the sum of HK\$300 million represents the maximum amount of loan to be granted by the Company to Fancy Mark during the term of the Loan Agreement, and the granting of the Facility of up to the sum of HK\$300 million to Fancy Mark under the Loan Agreement is a right, rather than a commitment, to the Company. The aforesaid protective rights given to the Company under the Loan Agreement would help to maintain the Company’s flexibility to utilize its cash to invest in higher-yield investments as and when such opportunities arise.

We are therefore of the opinion that it is in the commercial interest of and beneficial to the Company to enter into the Loan Agreement so as to provide the Company with an additional channel to utilize its abundant cash on hand without materially limiting its flexibility to invest in higher-yield investments as and when such opportunities arise.

2. **Principal terms of the Loan Agreement**

Borrower and guarantor

Pursuant to the Loan Agreement, the Facility will be granted by the Company to Fancy Mark for a term of three years from (a) the date on which all conditions precedent under the Loan Agreement are fulfilled or waived; and (b) 3 November 2011, whichever is the later. CE is the guarantor under the Loan Agreement, which will provide a continuing guarantee that will extend to the ultimate balance of sums payable by Fancy Mark under the Loan Agreement, regardless of any intermediate payment or discharge in whole or in part.

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Fancy Mark is a wholly-owned subsidiary of CE which has not engaged in any business (other than the entering into of the Former Loan Agreement and the Loan Agreement). To the best of the Directors' information and belief, having made all reasonable enquiries, the Facility is intended to be used to finance the capital expenditure and general working capital of CE and its wholly-owned subsidiaries. As the Facility has not yet been earmarked to be used by any subsidiary or subsidiaries of CE, Fancy Mark, which does not engage in any business, acts as borrower under the Loan Agreement so as to provide flexibility in the allocation of funds obtained through the Facility within the CE Group. In view of the fact that Fancy Mark has not engaged in any business (other than the entering into of the Former Loan Agreement and the Loan Agreement) and hence has no assets of its own (save for the loan drawdown of HK\$200 million under the Former Loan Agreement), the Loan Agreement provides for CE to act as guarantor to ensure performance of Fancy Mark under the Loan Agreement.

After considering: (i) the fact that CE acts as guarantor for Fancy Mark under the Loan Agreement; and (ii) the repayment capability of the CE Group, as further discussed in the paragraph headed "Collateral and repayment capability of the CE Group" below, we consider that having Fancy Mark, a company which has not engaged in any business (other than the entering into of the Former Loan Agreement and the Loan Agreement), as the borrower under the Loan Agreement will not impose undue risk to the Company in respect of the repayment of the Facility.

Amount of the Facility

Pursuant to the Loan Agreement, the Facility of up to HK\$300 million may be granted by the Company to Fancy Mark. The Company shall have the overriding right to (i) determine whether to permit the drawing of an advance by Fancy Mark under the Facility; and (ii) reduce the amount of advance requested by Fancy Mark, provided that the Company shall within one business day from its receipt of the drawdown notice notify Fancy Mark of its decision to disallow the advance or reduce the amount of the advance requested. In addition, the Company is also entitled, by giving not less than one month's prior notice (or notice of such shorter period as Fancy Mark may agree) to Fancy Mark, to demand full or partial repayment of the amount outstanding.

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The maximum amount of the Facility represents approximately 61.1% of the unaudited consolidated equity attributable to owners of the Company as at 30 June 2011 of approximately HK\$491.0 million, and approximately 79.8% of the unaudited net current assets of the Group as at 30 June 2011 of approximately HK\$376.1 million (being current assets in the amount of approximately HK\$378.0 million less current liabilities in the amount of approximately HK\$1.9 million). The mechanism under the Loan Agreement as stated in the previous paragraph provides protective rights to the Company and ensures that the Company could adjust the amount of the Facility extended to the CE Group in view of the then financial position of the Group. As such, notwithstanding that the maximum amount of the Facility represents more than half of the unaudited consolidated equity attributable to owners of the Company and the unaudited net current assets of the Group as at 30 June 2011 respectively, the Loan Agreement does not oblige the Company to extend the whole HK\$300 million to Fancy Mark at all times during the term of the Loan Agreement, and we therefore do not consider the maximum amount that may be granted by the Company under the Facility to be excessive.

Drawdown and repayment

Pursuant to the Loan Agreement, Fancy Mark can request a drawdown upon fulfilling all the conditions as stated in the paragraph headed “The Loan Agreement” in the “Letter from the Board” in the Circular until one business day prior to final maturity. The Company shall have the overriding right to (i) determine whether to permit the drawing of an advance by Fancy Mark under the Facility; and (ii) reduce the amount of advance requested by Fancy Mark, provided that the Company shall within one business day from its receipt of the drawdown notice notify Fancy Mark of its decision to disallow the advance or reduce the amount of the advance requested. In addition, the Company is also entitled, by giving not less than one month’s prior notice (or notice of such shorter period as Fancy Mark may agree) to Fancy Mark, to demand full or partial repayment of the amount outstanding. Fancy Mark shall, in any event, repay the aggregate principal amount outstanding under the Facility, together with all accrued interest thereon and all other amount payable under the Loan Agreement on final maturity.

We consider that the mechanism under the Loan Agreement to (i) allow the Company the right to make the final decision as to whether to approve the drawdown by Fancy Mark when Fancy Mark makes each drawdown request; and (ii) demand repayment by Fancy Mark by giving not less than one month’s prior notice (or notice of such shorter period as Fancy Mark may agree) to Fancy Mark provides flexibility to the Company to ensure that the Group would have sufficient cash for any appropriate investment opportunities that may arise or for its general working capital when required, and/or to adjust its credit policy to Fancy Mark in view of the then financial position of the Group or of the CE Group.

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We have been advised by the executive Directors that the Company will consider factors such as the financial position (including the then cash balance) of the Group as well as the credibility of the CE Group for each drawdown under the Facility, and will monitor, from time to time, the credit exposure to the CE Group under the Loan Agreement. We consider that these measures would help to ensure that the Continuing Connected Transactions are conducted in an appropriate manner and would also help to safeguard the interests of the Independent Shareholders as well as the interests of the Company and the Shareholders as a whole. We also consider that with these measures, the Group would be able to maintain sufficient cash in view of its own operating and financial positions, notwithstanding the granting of the Facility to Fancy Mark.

Term

Pursuant to the Loan Agreement, the Facility will be extended to Fancy Mark for a period of three years from (a) the date on which all conditions precedent under the Loan Agreement are fulfilled or waived; and (b) 3 November 2011, whichever is the later. Given that (i) the provision of the Facility constitutes continuing connected transactions under the Listing Rules, which requires that an agreement in connection with such continuing connected transactions should normally be not more than three years; and (ii) the Company has been given the rights to approve a drawdown or request a repayment as discussed in the paragraph headed “Drawdown and repayment” above, we consider that the three-year term of the Facility under the Loan Agreement is fair and reasonable in that it could help the Company minimize the compliance works to extend the Facility to Fancy Mark while at the same time enable the Company to maintain its flexibility to adjust the credit to Fancy Mark under the Facility as and when appropriate during the term.

Interest rate

Pursuant to the Loan Agreement, the Facility would be made available to Fancy Mark at an interest rate of HIBOR plus 1.5% per annum.

According to the audited annual results of the Group for the year ended 31 December 2010, the Group has not secured any bank borrowings, but had an amount of HK\$230,000 extended from fellow subsidiaries, which is unsecured, interest-free and repayable on demand. As stated in the unaudited interim results of the Group for the six months ended 30 June 2011, the Group has not secured any bank borrowings, but had an amount of HK\$120,000 extended from fellow subsidiaries, which is unsecured, interest-free and repayable on demand. As such, the Group has not extended any loans to, or secured borrowings from, any independent third party during the aforesaid periods. To this end, we may not be able to conclude whether the

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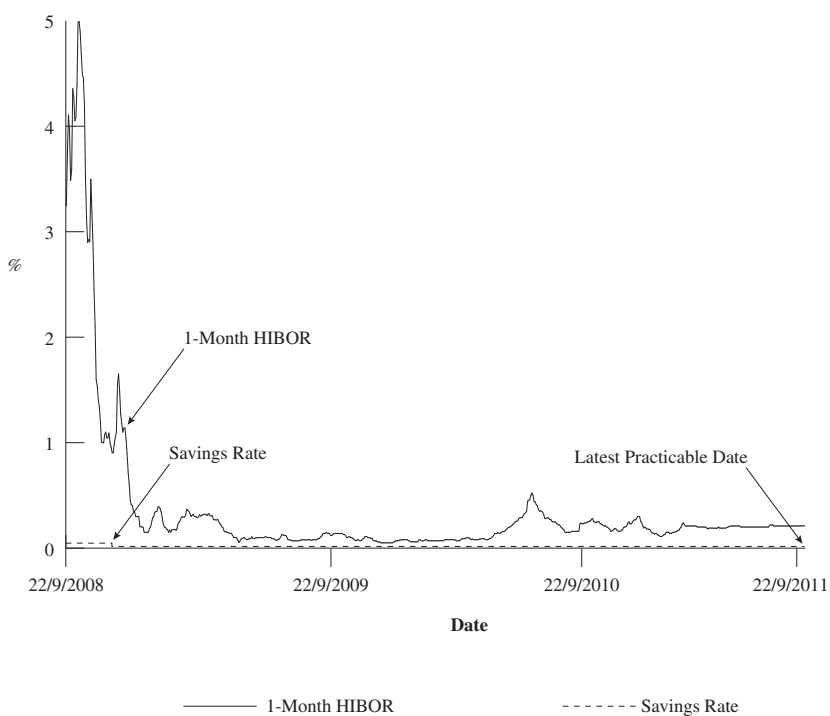
interest rate charged to Fancy Mark under the Loan Agreement is comparable to those charged by the Group to independent third parties, nor are we capable of comparing the interest rate charged to Fancy Mark with the Group's own cost of borrowing from independent third parties. Nevertheless, we note from the audited annual results of CE and its subsidiaries, including Chi Cheung and its subsidiaries and the Group (the "**Enlarged CE Group**") for the year ended 31 December 2010 that the Enlarged CE Group had secured Hong Kong dollar bank loans which carried interest ranging from HIBOR plus 0.37% per annum to HIBOR plus 1.75% per annum. As the interest rate under the Loan Agreement, being HIBOR plus 1.5% per annum, is within the aforesaid range, we consider that the interest rate under the Loan Agreement is comparable to the interest rates offered by other banks and financial institutions to the CE Group, is on normal commercial terms to CE and is not unduly favourable to the CE Group.

When banks and financial institutions extend loans, in addition to the cost of funds, competition in the market and the overall economic climate, factors concerning the borrower such as its financial and liquidity positions, its repayment ability, security/collateral provided by the borrower, prospects of the borrower's business and the reputation and credibility of the borrower and its owner(s) are also considered. Interest rate of a loan may be determined by benchmarking it against the prime lending rate or HIBOR, depending on the credit rating of the borrower. As each borrower is specific in its circumstances, the terms of the loans extended by banks and financial institutions to their corporate clients are also specific having regard to the borrower's circumstances. As such, we are of the view that the interest rate under the Loan Agreement cannot be directly compared with interest rates offered for other corporate loans in the capital market, which could vary greatly on a case-by-case basis. We consider that the interest rate of between HIBOR plus 0.37% per annum to HIBOR plus 1.75% per annum offered by banks for Hong Kong dollar bank loans of the Enlarged CE Group reflect its credit rating amongst banks and financial institutions in Hong Kong, and hence it is fair and reasonable for the Company to determine the interest rate under the Loan Agreement with reference to the aforesaid range.

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We note that the Hong Kong dollar benchmark savings rate as quoted by Standard Chartered Bank (Hong Kong) Limited (the “**Standard Chartered Bank**”), being one of the principal bankers of the Group, for the period between 22 September 2008 (being 3 years prior to the date of the joint announcement of the Company dated 22 September 2011 in relation to the Loan Agreement and the Continuing Connected Transactions) and the Latest Practicable Date (the “**Relevant Period**”) ranged from between 0.01% (between 10 November 2008 and 6 October 2011, being the last day immediately prior to the Latest Practicable Date and on which such data of the Standard Chartered Bank was publicly available) and 0.05% (between 22 September 2008 and 7 November 2008). We also note that the one-month HIBOR during the Relevant Period ranged from between 0.04964% (on 15 December 2009) and 4.99286% (on 10 October 2008). The one-month HIBOR has been consistently higher than the Hong Kong dollar benchmark savings rate as quoted by the Standard Chartered Bank throughout the Relevant Period. The following chart illustrates the trend of the one-month HIBOR and the Hong Kong dollar benchmark savings rate as quoted by the Standard Chartered Bank during the Relevant Period:–

Hong Kong Money Market Rates



Source: Bloomberg

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Given that the interest rate under the Loan Agreement to be charged by the Company to Fancy Mark is not unduly favourable to Fancy Mark, considering the interest rates charged on bank borrowings of the Enlarged CE Group, and that the Company can earn a higher interest rate by granting the Facility to Fancy Mark than placing its cash as bank deposits and earning savings rates, we are of the view that the Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned and that it is in the interests of the Company and the Shareholders as a whole.

3. Collateral and repayment capability of the CE Group

Pursuant to the Loan Agreement, Fancy Mark is not required to provide collateral for the Facility.

The Enlarged CE Group is principally engaged in property investment and development, brokerage, securities investment, money lending and cosmetics distribution and trading. As stated in the audited annual results of the Enlarged CE Group for the year ended 31 December 2010, the Enlarged CE Group recorded revenue of approximately HK\$2,671.0 million, representing an increase of approximately 24.2% over the revenue of approximately HK\$2,151.3 million for the year ended 31 December 2009. The Enlarged CE Group's gross profit increased by approximately 45.1% from approximately HK\$930.9 million in the 2009 financial year to approximately HK\$1,351.0 million in the 2010 financial year. The Enlarged CE Group suffered a loss for the year attributable to owners of CE amounting to approximately HK\$8,858.2 million, mainly as a result of a fair value loss on investment properties of approximately HK\$10,831.3 million.

As stated in the unaudited interim results of the Enlarged CE Group for the six months ended 30 June 2011, the Enlarged CE Group recorded revenue of approximately HK\$1,023.4 million, representing an increase of approximately 47.8% over the revenue of approximately HK\$692.5 million for the six months ended 30 June 2010. The Enlarged CE Group's gross profit for the six months ended 30 June 2011 doubled, from approximately HK\$419.3 million for the six months ended 30 June 2010 to approximately HK\$856.0 million. The Enlarged CE Group switched from a loss-making position for the six months ended 30 June 2010 to a profit attributable to owners of CE of approximately HK\$4,553.5 million, mainly as a result of an increase in investment and other income, positive fair value changes on investment properties and increase in the share of results of associates.

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As stated in the unaudited interim results of the Enlarged CE Group for the six months ended 30 June 2011, the Enlarged CE Group had equity attributable to owners of CE amounting to approximately HK\$36,904.1 million as at 30 June 2011, out of which time deposits, bank balances and cash amounted to approximately HK\$6,628.0 million. As at 30 June 2011, the borrowings of the Enlarged CE Group of approximately HK\$26,117.0 million (comprising short-term borrowings of approximately HK\$8,826.4 million and long-term borrowings of approximately HK\$17,290.6 million) accounted for approximately 39.0% of the total assets of the Enlarged CE Group of approximately HK\$67,033.6 million. The maximum amount of the Facility of HK\$300 million under the Loan Agreement only represents (i) approximately 4.5% of the cash and bank balances of the Enlarged CE Group of approximately HK\$6,628.0 million; (ii) approximately 0.4% of the total assets of the Enlarged CE Group of approximately HK\$67,033.6 million; and (iii) approximately 0.8% of the equity attributable to owners of CE of approximately HK\$36,904.1 million as at 30 June 2011 respectively. In view of the aforesaid financial position of the Enlarged CE Group and the size of the Facility, we consider it justifiable for the Company to grant the Facility to Fancy Mark on an unsecured basis so far as the repayment capability of the Enlarged CE Group is concerned.

4. Alternatives of the Company in utilising its cash

We understand that the executive Directors have considered alternative methods for the Company to utilise its cash, including distributing cash dividend to the Shareholders or utilising such cash for other investments. Having considered that: (i) notwithstanding the fact that the management of the Group has not identified any potential projects or appropriate investment opportunities to utilize the abundant cash on hand, a distribution of idle cash would limit the Group's ability to invest in higher-yield projects to maximize the Shareholders' value of the Company as and when appropriate; (ii) a distribution of idle cash may also limit the Group's flexibility in weathering any sudden changes in the operating environment in the face of the downturn in the global economy and the recent volatility in the capital markets; and (iii) the mechanism of the Facility provides the Company with the flexibility to adjust its credit policy to the CE Group in accordance with the then situation of the Group, the executive Directors consider that the granting of the Facility to Fancy Mark pursuant to the Loan Agreement represents a justifiable method by the Company to maximise the value of its assets (and hence Shareholders' return on the Company). We concur with the executive Directors' view in this regard.

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5. Proposed caps for the Continuing Connected Transactions

The expected cap amounts for the Facility for the period from 3 November 2011 to 31 December 2011, for the two years ending 31 December 2012 and 31 December 2013 and for the period from 1 January 2014 to 2 November 2014 are as follows:–

	From 3 November 2011 to 31 December 2011	For the year ending 31 December 2012	For the year ending 31 December 2013	From 1 January 2014 to 2 November 2014
Expected cap amounts	HK\$304 million	HK\$324 million	HK\$324 million	HK\$320 million

The aforesaid expected cap amounts are determined by using the aggregate of the principal amount outstanding under the Facility to be granted by the Company to Fancy Mark and the annual interest payable under the Loan Agreement, on the assumption that Fancy Mark will borrow up to HK\$300 million for each of the aforesaid periods at interest rate of approximately 8% per annum (i.e. HIBOR is assumed to be approximately 6.5%), and that Fancy Mark will repay all interest in accordance with the terms of the Loan Agreement.

As stated in the paragraph headed “Principal terms of the Loan Agreement” above, we note that the highest one-month HIBOR during the Relevant Period was 4.99286% (on 10 October 2008), which is lower than the assumed HIBOR used in the calculation of the expected cap amounts. Nevertheless, in view of the fact that (i) the HIBOR as at the Latest Practicable Date of approximately 0.21% is at a low level considering the HIBOR trend in the past three years; (ii) HIBOR has generally been on the rise since around late February 2011; (iii) the capital markets have become volatile recently and may remain so in the period ahead, with continuing concern over the US economic situation and the European sovereign debt crisis; and (iv) short-term interest rates in the interbank market, including HIBOR, are determined by such factors as the liquidity situation in Hong Kong, thus making them very sensitive to capital flows and could be susceptible to abrupt changes, we are of the view it is not unreasonable to build in a buffer of approximately 1.5% in the assumed HIBOR when calculating the relevant expected cap amounts.

Shareholders should note that the aforesaid expected cap amounts for the Facility are estimated based on assumptions which may or may not remain valid for the entire tenure of the Loan Agreement, and they do not represent forecasts of interest to be generated from the Continuing Connected Transactions.

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6. Financial effects of the Continuing Connected Transactions

We understand from the executive Directors that the Group is expected to have a maximum financial exposure of HK\$300 million as a result of the Continuing Connected Transactions. The size of such maximum financial exposure represents approximately 61.1% of the unaudited consolidated equity attributable to owners of the Company as at 30 June 2011 of approximately HK\$491.0 million.

In view of the fact that: (i) the drawdown and repayment mechanism in the Loan Agreement allows the Company the flexibility to adjust its credit policies, including but not limited to the amount granted/to be granted to Fancy Mark; (ii) with such mechanism, the granting of the Facility of up to HK\$300 million to Fancy Mark under the Loan Agreement is a right, rather than a commitment, to the Company; and (iii) the continuous monitoring of the credit exposure to the CE Group under the Loan Agreement, as stated in the paragraph headed “Principal terms of the Loan Agreement” above, we consider that there are appropriate measures to minimize the financial risk exposure of the Group in connection with the Continuing Connected Transactions.

7. Annual review by the independent non-executive Directors and auditors of the Company

The executive Directors confirm that the Continuing Connected Transactions will be subject to the compliance requirements under Rules 14A.37 to 14A.41 of the Listing Rules including, inter alia, that the independent non-executive Directors shall review annually and confirm in the Company’s next and successive annual reports that they are in compliance with the relevant requirements under the Listing Rules. The auditors of the Company shall also review the transactions annually during the relevant tenure and provide the Board with a letter in respect of each relevant financial year during which the Continuing Connected Transactions are conducted and confirm that it is in accordance with the terms of the Loan Agreement.

We are of the view that the aforesaid conditions would ensure that appropriate measures will be taken by the Company to govern itself in conducting the Continuing Connected Transactions, thereby safeguarding the interests of the Independent Shareholders as well as the interests of the Company and the Shareholders as a whole.

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RECOMMENDATION

Having considered the above-mentioned principal factors and reasons, notwithstanding that the Continuing Connected Transactions are not in the ordinary and usual course of business of the Group, we are of the view that the Loan Agreement is on normal commercial terms, that the terms of the Loan Agreement and the Continuing Connected Transactions (including the relevant expected cap amounts) are fair and reasonable so far as the Independent Shareholders are concerned and that the Continuing Connected Transactions and the relevant expected cap amounts 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 ordinary resolution in relation to the Loan Agreement and the transactions contemplated thereunder as well as the relevant expected cap amounts to be proposed at the SGM.

Yours faithfully,
For and on behalf of
VC Capital Limited
Felicia Hui
Director

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. INTERESTS OF DIRECTORS

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 any interests and short positions which he was taken or deemed 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 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, to be notified to the Company and the Stock Exchange.

3. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, the following parties (other than a Director or chief executive of the Company) had an interest or short position in the shares, underlying shares or debentures 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, or, who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group:

Long positions in the Company:

Name of substantial Shareholders	Number of shares	Capacity	Notes	Approximate percentage of shareholding (%)
Mr. Joseph Lau, Luen-hung ("Mr. Lau")	1,512,059,473	Founder of trust; beneficiary of trust and interest of controlled corporations	1&3	62.26
Asian Kingdom Limited	493,678,883	Beneficial owner	1	20.33
Crown Jade Limited	493,678,883	Interest of controlled corporation	1	20.33

Name of substantial Shareholders	Number of shares	Capacity	Notes	Approximate percentage of shareholding (%)
Global King (PTC) Ltd.	1,018,380,590	Trustee	2	41.93
GZ Trust Corporation	1,018,380,590	Trustee, beneficiary of trust and interest of controlled corporations	2	41.93
CE	1,018,380,590	Interest of controlled corporations	2	41.93
Mass Rise Limited ("Mass Rise")	1,018,380,590	Beneficial owner	2	41.93

Notes:

1. The entire issued share capital of Asian Kingdom Limited is owned by Crown Jade Limited, the entire issued share capital of which is wholly-owned by Mr. Lau. Mr. Lau and Crown Jade Limited were deemed to be interested in the same parcel of shares of the Company in which Asian Kingdom Limited was interested.
2. GZ Trust Corporation as trustee of a discretionary trust holds units in a unit trust of which Global King (PTC) Ltd. is the trustee. Global King (PTC) Ltd. is entitled to exercise more than one-third of the voting power at general meetings of CE. CE owns the entire issued share capital of Mass Rise. Accordingly, each of Global King (PTC) Ltd., GZ Trust Corporation and CE is deemed to be interested in the same interests stated against Mass Rise.
3. Mr. Lau, by virtue of his 74.94% interest in the issued share capital of CE, is deemed to be interested in the same interests stated against CE under the SFO.

Save as disclosed in this circular, as at the Latest Practicable Date, so far as was known to the Directors and chief executives of the Company, there was no other person who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, had a direct or indirect interests amounting to 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

4. DIRECTORS' SERVICE CONTRACTS

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

5. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, save as the negative effect imposed by the current global economic condition and the violating of the capital and stock markets (as mentioned in the paragraph headed "Reasons for the Continuing Connected Transactions" in the "Letter from the Board" of this circular), the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2010, being the date to which the latest published audited financial statements of the Group were made up.

6. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

7. INTEREST IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the date of this circular, and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which have been since 31 December 2010, the date to which the latest published audited financial statements of the Company were made up, 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.

8. QUALIFICATION AND CONSENT OF EXPERT

VC Capital is a corporation licensed under the SFO to carry on Type 6 (advising on corporate finance) regulated activity.

VC Capital has given and has not withdrawn its written consent to the issue of this circular with the reference to its name and its letter in the form and context in which it appears.

As at the Latest Practicable Date, VC Capital 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 shares in any member of the Group.

VC Capital did not have any interest, direct or indirect, in any asset which since 31 December 2010, the date to which the latest published audited financial statements of the Group were made up, have 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.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the head office and principal place of business of the Company in Hong Kong, at 26th Floor, MassMutual Tower, 38 Gloucester Road, Wanchai, Hong Kong during normal business hours from the date of this circular up to and including 28 October 2011:

- (a) the Loan Agreement;
- (b) the letter from VC Capital, the full text of which is set out on pages 15 to 29 of this circular; and
- (c) the letter of consent referred to in paragraph 8 of this appendix.

10. MISCELLANEOUS

The English text of this circular shall prevail over its Chinese text in case of any discrepancy.

NOTICE OF SGM



G·PROP
(HOLDINGS) LIMITED

G-PROP (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 286)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (“**Meeting**”) of G-Prop (Holdings) Limited (“**Company**”) will be held at Concord Room II-III, 8th Floor, Renaissance Harbour View Hotel Hong Kong, No. 1 Harbour Road, Wanchai, Hong Kong on 28 October 2011 at 9:30 a.m. for the purpose of considering and, if thought fit, with or without amendments, passing the following resolution which will be proposed as an ordinary resolution of the Company:

“**THAT** the loan agreement (“**Loan Agreement**”) dated 22 September 2011 (a copy of which will be produced to the Meeting marked “A” and signed by the chairman of the Meeting for the purpose of identification) and entered into between the Company (as lender), Fancy Mark Limited (as borrower) and Chinese Estates Holdings Limited (as guarantor) and the transactions contemplated thereby; and the relevant expected cap amounts of the transactions contemplated under the Loan Agreement as shown in the Company’s circular dated 12 October 2011 be and the same are hereby approved and that the directors of the Company be and is hereby authorised to take any step as they consider necessary, desirable or expedient in connection with the Loan Agreement or any of the transactions contemplated thereby and that the directors be and are hereby authorised, for and on behalf of the Company, to execute all such other documents, instruments and agreements and to do all such acts or things deemed by them to be incidental to, ancillary to or in connection with the matters contemplated under the Loan Agreement and to agree to any amendment to any of the terms of the Loan Agreement which in the opinion of the directors is not of a material nature and is in the interests of the Company.”

By Order of the Board
G-Prop (Holdings) Limited
Lam, Kwong-wai
Company Secretary

Hong Kong, 12 October 2011

NOTICE OF SGM

Registered office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

*Head office and principal place
of business in Hong Kong:*

26th Floor
MassMutual Tower
38 Gloucester Road
Wanchai
Hong Kong

Notes:

1. The register of members of the Company will be closed from 26 October 2011 to 28 October 2011, both days inclusive, for the purpose of determination of entitlements to attend and vote at the Meeting. As such, all share transfers documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 25 October 2011.
2. Any shareholder entitled to attend and vote at the Meeting is entitled to appoint another person to be his/her proxy to attend and vote instead of him/her. A proxy need not be a member of the Company.
3. In order to be valid, a form of proxy in the prescribed form together with a power of attorney or other authority (if any) under which it is signed or a certified copy of that power or authority must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the Meeting (or any adjournment thereof).
4. Completion and deposit of the form of proxy will not preclude members from attending and voting at the Meeting or any adjournment thereof should they so wish, and in such event, the form of proxy will be deemed to be revoked.
5. Where there are joint registered holders of any share(s) of the Company, any one of such joint holders may attend and vote at the Meeting, either in person or by proxy, in respect of such share(s) as if he/she were solely entitled thereto to, but if more than one of such joint holders are present, 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 stated in the register of members of the Company in respect of the joint holding.
6. The resolution as set out above will be taken by poll.
7. As at the date hereof, the board of directors of the Company comprises Mr. Kong, Chi-ming and Mr. Leung, Wing-pong as executive directors and Dr. David Chain, Chi-woo, Mr. Lam, Yat-fai and Mr. Leung, Yun-fai as independent non-executive directors.