

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



CHINESE ESTATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 127)

DISCLOSEABLE TRANSACTION

DISPOSAL OF SUBSIDIARIES

The Board announces that on 14th July, 2015 (after market close), Evergo (an indirect wholly-owned subsidiary of the Company) has entered into the Disposal Agreement with Shengyu, pursuant to which Evergo agrees to sell and Shengyu agrees to acquire the equity in the Disposed Companies and all the interests in the debts receivable at a consideration of HK\$6,500,000,000. Following the Completion, Shengyu will hold 100% equity in the Disposed Companies and all the interests in the debts receivable.

As the applicable percentage ratios (as defined in the Listing Rules) for the Disposal Transaction exceed 5% but are less than 25%, the Disposal Agreement and the Disposal Transaction constitute a discloseable transaction of the Company pursuant to Chapter 14 of the Listing Rules. The Disposal Agreement and the Disposal Transaction are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board announces that on 14th July, 2015 (after market close), Evergo, an indirect wholly-owned subsidiary of the Company, has entered into the Disposal Agreement with Shengyu, pursuant to which Evergo agrees to sell and Shengyu agrees to acquire the equity in the Disposed Companies and all the interests in the debts receivable at a consideration of HK\$6,500,000,000. Following the Completion, Shengyu will hold 100% equity in the Disposed Companies and all the interests in the debts receivable.

The key terms of the Disposal Agreement are set out as follows:

THE DISPOSAL AGREEMENT

Date: 14th July, 2015 (after market close)

Parties to the agreement: (a) Evergo as the Transferor;
(b) Shengyu as the Transferee.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Shengyu and its beneficial owner are independent of and not connected to the Company and its connected persons.

ASSETS TO BE DISPOSED OF

1. The Shares beneficially owned by Evergo in the Disposed Companies, being the entire issued share capital of the Disposed Companies (including the entire issued share capital of Lucky Benefit Limited in the amount of US\$1, divided into 1 share with a par value of US\$1 per share, and the entire issued share capital of Rising Sheen Limited in the amount of US\$1, divided into 1 share with a par value of US\$1 per share); and
2. All the interests in the debts receivable.

ASSETS OF THE DISPOSED COMPANIES

(I) Properties

The Disposed Companies hold the following principal assets through the PRC Project Companies indirectly:

Project name	Planned use	Gross floor area (m²) (note)
1. Splendid City	Residential, car parking space, commercial and office building and warehouse	79,995
2. The Metropolis	Residential, car parking space and commercial building	144,986
3. Chinese Estates Plaza	Hotel, office building, shopping mall, residential and car parking space	427,669

Note: Representing the gross floor area (above and below ground) of the properties held by the PRC Project Companies, which are completed but not yet sold or which are under development as at 30th June, 2015.

(II) Other assets

Other assets include an investment of RMB300 million (equivalent to approximately HK\$375 million) in a limited partnership incorporated in Shanghai, the PRC. The investment is held by one of the PRC subsidiaries of the Company. Lucky Benefit Limited indirectly holds 75.8% equity in that PRC subsidiary and has acquired the remaining 24.2% equity, pending completion of the transfer of shareholding. The partnership is engaged in businesses including equity investment, investment management and investment advisory services, and it generates long-term investment return for its partners by acquiring, holding and disposing of investment portfolio companies.

CONSIDERATION

The Consideration for the transfer of equity of the Disposed Companies and the transfer of the interests in the debts receivable shall be HK\$6,500,000,000, of which, the consideration for the disposal of 100% equity in Lucky Benefit Limited and its debts receivable is HK\$3,280,701,316, and the consideration for the disposal of 100% equity in Rising Sheen Limited and its debts receivable is HK\$3,219,298,684.

The Consideration was determined by the parties to the Disposal Agreement following arm's length negotiations on normal commercial terms by reference to (i) the debts receivable of approximately HK\$4,604.5 million as at Date of the Disposal Agreement; (ii) the unaudited consolidated or combined net asset value of the Disposed Group of approximately HK\$1,537.3 million as at 31st March, 2015; and (iii) the valuation surplus (net of deferred tax) of the preliminary result of the valuation of the properties of the Disposed Companies performed by an independent qualified professional valuer, of approximately HK\$463.5 million.

The Directors consider that, taking into account of the effects of the preliminary result of the valuation of the properties of the Disposed Companies performed by the independent qualified professional valuers, the Consideration, representing a discount of approximately HK\$105.3 million or 1.6% below the value of Disposed Group of approximately HK\$6,605.3 million as adjusted, is fair and reasonable.

TERMS OF PAYMENT

Consideration

The Consideration shall be paid by the Transferee (or a company designated by the Transferee) to the Transferor (or a company designated by it) in cash or by way of bank transfer or other methods of payment agreed by the Transferor and the Transferee in the following manner:

- (a) payment of 10% of the Consideration, amounting to HK\$650,000,000, as deposit of the

Consideration within 5 Working Days following the Date of the Disposal Agreement (or such other date as agreed by the Transferor and the Transferee in writing);

- (b) payment of 20% of the Consideration, amounting to HK\$1,300,000,000, following the Completion but within 6 months following the Date of the Disposal Agreement;
- (c) payment of 20% of the Consideration, amounting to HK\$1,300,000,000, following the Completion but within 12 months following the Date of the Disposal Agreement;
- (d) payment of 20% of the Consideration, amounting to HK\$1,300,000,000, following the Completion but within 18 months following the Date of the Disposal Agreement; and
- (e) payment of 30% of the Consideration, amounting to HK\$1,950,000,000, following the Completion but within 24 months following the Date of the Disposal Agreement.

Overdue Fine

If the Transferor has not performed or fails to perform its obligations (including but not limited to not performing or failure to perform wholly) as agreed under the Disposal Agreement, it shall pay the Transferee an overdue fine calculated at a rate of three in ten-thousandths (namely 0.03% per day) of the relevant Consideration paid by the Transferee on daily basis for any delay in performance, unless and until the relevant obligations have been fully performed.

If the Transferee has not performed or fails to perform its obligations (including but not limited to not performing or failure to perform wholly) to pay the Consideration as agreed under the Disposal Agreement, it shall pay the Transferor an overdue fine calculated at a rate of three in ten-thousandths (namely 0.03% per day) of the relevant Consideration payable but unpaid by the Transferee on daily basis for any delay to pay the Consideration, unless and until the relevant Consideration has been fully paid.

Guarantee

As one of the conditions for the Completion, Evergrande will act as surety to Shengyu by providing guarantee for the payments of the Consideration set out in the above paragraphs (b) to (e) of the section "CONSIDERATION" and the above overdue fine.

CONDITIONS PRECEDENT

The Completion is conditional upon the satisfaction of the following Conditions Precedent:

- (a) if it is required by the Listing Rules or the Stock Exchange, the ultimate holding company of the Transferor shall, pursuant to the Listing Rules, pass all necessary shareholders' resolutions (in the form of written approval from shareholders or by passing an ordinary resolution at a general meeting (if such written approval is not obtained)) to approve the Disposal Agreement and the Disposal Transaction, and grant all other necessary approvals or waivers as required (if applicable);
- (b) the Transferor shall obtain all necessary approvals required to be obtained from third

parties in relation to the Disposal Transaction (if necessary);

- (c) if it is required by the Listing Rules or the Stock Exchange, the ultimate holding company of the Transferee shall, pursuant to the Listing Rules, pass all necessary shareholders' resolutions (in the form of written approval from shareholders or by passing an ordinary resolution at a general meeting (if such written approval is not obtained)) to approve the Disposal Agreement and the Disposal Transaction, and grant all other necessary approvals or waivers as required (if applicable);
- (d) the Transferee shall obtain all necessary approvals required to be obtained from third parties in relation to the Disposal Transaction (if necessary); and
- (e) the Transferee is satisfied with the result of the due diligence.

According to the Disposal Agreement, beginning from the Date of the Disposal Agreement, the Transferor and the Transferee shall use their best endeavours to procure the satisfaction of items (a) to (d) (items (a) and (b) in the case of the Transferor and items (c) and (d) in the case of the Transferee) of the Conditions Precedent as soon as practicable but no later than the date on or before the expiry of 5 Working Days from the Date of the Disposal Agreement. In addition, the Transferee shall complete the due diligence mentioned in item (e) of the Condition Precedent within 15 Working Days after the Date of the Disposal Agreement. If the Transferee is unsatisfied with the result of the due diligence, it is entitled to terminate the Disposal Agreement by giving a written notice to the Transferor. If the Transferor has received the aforesaid written notice, it shall return the deposit of the Consideration (excluding interests) within 5 Working Days following the receipt of such written notice (provided that the Transferee has paid the deposit of the Consideration to the Transferor), and neither the Transferor or the Transferee shall be subject to any other liability in relation to the termination of the Disposal Agreement.

COMPLETION

The Completion of transfer of equity of the Disposed Companies and all the interests in the debts receivable shall take place on the 5th Working Day after the date when the last Condition Precedent is satisfied.

Upon the Completion, the Transferor shall transfer and/or procure its relevant associates to transfer all (but not part) of the equity of the Disposed Companies and the debts receivable simultaneously, meanwhile the Transferee shall assume all (but not part) of the equity of the Disposed Companies and the debts receivable.

INFORMATION ABOUT THE GROUP AND THE TRANSFEROR

The Group is principally engaged in property investment and development, brokerage, securities investment, money lending and cosmetics distribution and trading. Evergo is an investment holding company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company.

INFORMATION ABOUT THE TRANSFEREE AND EVERGRANDE

The Transferee is an investment company incorporated in the British Virgin Islands and is wholly-owned by Evergrande. Evergrande is principally engaged in the development of large scale residential properties and integrated commercial properties in the PRC. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Evergrande and its beneficial owner are independent of and not connected with the Company and its connected persons.

INFORMATION ABOUT THE DISPOSED COMPANIES

Lucky Benefit Limited is an investment holding company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of Evergo. Following the Completion, Shengyu will become the beneficial owner of the entire issued share capital of Lucky Benefit Limited, which, together with its subsidiaries will cease to be subsidiaries of the Company. As at the date of this Announcement, other than that mentioned in the section “**ASSETS OF THE DISPOSED COMPANIES**” of this Announcement, Lucky Benefit Limited does not have any other material assets.

Rising Sheen Limited is an investment holding company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of Evergo. Following the Completion, Shengyu will become the beneficial owner of the entire issued share capital of Rising Sheen Limited, which, together with its subsidiaries will cease to be subsidiaries of the Company. As at the date of this Announcement, other than that mentioned in the section “**ASSETS OF THE DISPOSED COMPANIES**” of this Announcement, Rising Sheen Limited does not have any other material assets.

A summary of the unaudited consolidated or combined results of the Disposed Group for the two years ended 31st December, 2013 and 2014 were prepared according to HKFRSs as follows:

	For the year ended 31st December, 2013 <i>(HK\$ million)</i>	For the year ended 31st December, 2014 <i>(HK\$ million)</i>
Net profit before tax	129	208
Net profit after tax	88	110

As at 31st March, 2015, the unaudited consolidated or combined net asset value of the Disposed Group was approximately HK\$1,537.3 million.

FINANCIAL EFFECT OF THE DISPOSAL TRANSACTION

The Group expects to record a gain of approximately HK\$1,150.6 million from the Disposal Transaction. This amount is calculated based on (i) the Consideration; (ii) the unaudited consolidated or combined net asset value of the Disposed Group as at 31st March, 2015; (iii) the debts receivable as at the Date of the Disposal Agreement; (iv) the release of exchange

reserve arising from the Disposal Transaction; and (v) the transaction cost arising from the Disposal Transaction.

The actual gain to be recorded might be different as the above estimate is based on the unaudited consolidated or combined net asset value of the Disposed Group as at 31st March, 2015 and debts receivable as at the Date of the Disposal Agreement, which might be different from those as at the Completion Date.

Following the Completion, the Disposed Companies and their subsidiaries will cease to be subsidiaries of the Company, and their financial results, assets and liabilities will no longer be included in the consolidated financial statements of the Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL TRANSACTION

As the Central Government of the PRC has established a new norm for the economic development, the domestic economy will maintain steady growth within a reasonable range in the future. Influenced by the economic development, the domestic property market is currently experiencing steady development. In addition, given the anticipated levy of real estate tax and ample supply of properties, especially in non-Tier 1 cities, the Company believes that the upside potential for the selling price of residential properties in Chengdu will be limited for a rather long span in the future.

In respect of commercial properties in the PRC (including shopping malls, offices and hotels), a number of large scale commercial properties have been completed and launched in the market in Chengdu during recent years. As a result, there has been an oversupply of leaseable area and hotel rooms, and the income from rental properties and hotel operations has been decreasing significantly. As a result, the return on holding of commercial properties has been lower than expectation. Meanwhile, a number of large commercial properties currently under construction or planning will be completed in succession. It is expected that the income from commercial properties will further decrease. Therefore, the Company is of the view that the asset value of commercial properties in Chengdu is likely to decline.

Therefore, the Company believes that in order to maximise the value of properties, the Disposal Transaction is an exceptional opportunity for the Group to dispose of the entire property portfolio in Chengdu and the investment in the partnership in PRC by a single transaction, in return for cash in Hong Kong currency. Upon completion of the Disposal Transaction, the Group will seek other investment opportunities.

In view of the above, the Board considers that the terms of the Disposal Agreement are fair and reasonable and are on normal commercial terms, in the ordinary and usual course of business and in the interests of the Company and its shareholders as a whole.

USE OF PROCEEDS

The net proceeds from the Disposal Transaction is approximately HK\$6,499 million, net of the transaction cost of the Disposal Transaction. The Board plans to use the net proceeds as general working capital for the Group.

LISTING RULES IMPLICATION

As the applicable percentage ratios (as defined in the Listing Rules) for the Disposal Transaction exceed 5% but are less than 25%, the Disposal Agreement and the Disposal Transaction constitute a discloseable transaction of the Company pursuant to Chapter 14 of the Listing Rules. The Disposal Agreement and the Disposal Transaction are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“associate(s)”	a party is an associate of another party if it has the ability to control, jointly control or exercise significant influence over the other party in making financial or operational decisions. Parties are also considered to be associates if they are subject to common control, joint control or significant influence;
“Board”	the board of Directors of the Company;
“Chinese Estates Plaza”	a property project located at No. 99 Tidu Street, Chengdu, Sichuan Province, PRC, which is directly held by Rising Sheen Limited through its indirect wholly-owned subsidiary 愛美高實業（成都）有限公司 (Evergo Enterprises (Chengdu) Company Limited);
“Company”	Chinese Estates Holdings Limited (Stock Code: 127), a company incorporated in Bermuda with limited liability, the shares of which are listed on the mainboard of Stock Exchange;
“Completion”	the completion of the transfer of equity and the transfer of debts receivable under the Disposal Agreement;
“Completion Date”	the date on which the performance of the obligations under the Disposal Agreement is completed and the Completion takes place;
“Condition(s) Precedent”	conditions precedents as set out in the Disposal Agreement;
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;

“Consideration”	the consideration for the Disposal Agreement of HK\$6,500,000,000;
“Date of the Disposal Agreement”	14th July, 2015;
“debts receivable”	the debts receivable which the Transferor and its associates are entitled to upon the Completion. As at the Date of the Disposal Agreement, the debts receivable amounted to HK\$4,604,511,150.09, and the amount of debts receivable will remain unchanged by the Completion Date;
“deposit of the Consideration”	10% of the Consideration, amounting to HK\$650,000,000, to be paid by the Transferee to the Transferor or its nominees in accordance with the terms of the Disposal Agreement within 5 Working Days after the Date of the Disposal Agreement;
“Director(s)”	the director(s) of the Company;
“Disposal Agreement”	the equity and debt transfer agreement dated 14th July, 2015 (after market close) entered into between the Transferor and the Transferee, including relevant amendments and all appendices thereof;
“Disposal Transaction”	the transaction contemplated under the Disposal Agreement;
“Disposed Companies”	Lucky Benefit Limited and Rising Sheen Limited collectively;
“Disposed Group”	the Disposed Companies and their subsidiaries;
“equity of the Disposed Companies”	100% equity of the Disposed Companies which is legally and beneficially owned by the Transferor;
“Evergo” or “Transferor”	Evergo Holdings (China) Company Limited, a company incorporated in the British Virgin Islands, which is an indirect wholly-owned subsidiary of the Company;
“Evergrande”	Evergrande Real Estate Group Limited (stock code: 3333), a company incorporated in the Cayman Islands with limited liability, whose

	shares are listed on the Stock Exchange, being the ultimate controller of the Transferee;
“Group”	the Company and its subsidiaries;
“HK\$”	the lawful currency of Hong Kong;
“HKFRSs”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants from time to time;
“Hong Kong”	the Hong Kong Special Administration Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time;
“PRC”	the People’s Republic of China, which for the purpose of the Disposal Agreement, excludes Hong Kong and Macau Special Administrative Regions and Taiwan;
“PRC Project Companies”	members of the Disposed Group which directly hold Splendid City, The Metropolis and Chinese Estates Plaza, namely Sichuan Evergo Real Estate Company Limited, Evergo Real Estate (chengdu) Company Limited and 愛美高實業（成都）有限公司 (Evergo Enterprises (Chengdu) Company Limited) respectively;
“RMB”	the lawful currency of the PRC;
“Shares”	ordinary shares in the issued share capital of the Disposed Companies with a par value of US\$1 per share;
“Shengyu” or “Transferee”	Shengyu (BVI) Limited, a company incorporated in the British Virgin Islands, which is a wholly-owned subsidiary of Evergrande;
“Splendid City”	a property project located at No. 123 and 165, Yingbin Avenue, Jinniu District, Chengdu, Sichuan Province, PRC, which is directly held by Lucky Benefit Limited through its indirect wholly-owned subsidiary Sichuan Evergo Real Estate Company Limited;

“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“The Metropolis”	a property project located at No. 60 Yixue Lane, No. 38 Tangba Street, Jinjiang District, Chengdu, Sichuan Province, PRC, which is directly held by Lucky Benefit Limited through its indirect wholly-owned subsidiary Evergo Real Estate (chengdu) Company Limited;
“transfer of equity of the Disposed Companies”	the transfer of equity of the Disposed Companies and corresponding rights and obligations to the Transferee by the Transferor;
“US\$”	the lawful currency of the United States of America;
“Working Day(s)”	calendar days on which major commercial banks in Hong Kong are open for business (excluding Saturday, Sunday and public holidays); and
“%”	per cent.

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

Hong Kong, 14th July, 2015

As at the date of this announcement, the Board comprised Mr. Lau, Ming-wai, Ms. Chan, Sze-wan, Mr. Lam, Kwong-wai as Executive Directors, Ms. Amy Lau, Yuk-wai as Non-executive Director, and Mr. Chan, Kwok-wai, Ms. Phillis Loh, Lai-ping and Mr. Ma, Tsz-chun as Independent Non-executive Directors.

Website: <http://www.chineseestates.com>