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CHINESE ESTATES HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 127)

DISCLOSEABLE TRANSACTION

DISPOSAL OF A SUBSIDIARY

THE DISPOSAL AGREEMENT

The Board announces that on 19 October 2015 (after market close), the Vendor, an indirect wholly-owned subsidiary of the Company, has entered into the Disposal Agreement with the Purchaser, pursuant to which the Vendor has conditionally agreed to dispose of and the Purchaser has conditionally agreed to acquire the entire issued share capital of the Target Company together with all the interests in the Shareholder's Loan at an aggregate consideration of HK\$1,750,000,000.

As at the date of this announcement, the Vendor owns 100% of the issued share capital of the Target Company, which in turn owns 25% of the issued share capital of the BVI Holdco, which in turn indirectly owns the entire interests in the Project Land through the Project Companies. As at the date of this announcement, the remaining issued share capital of the BVI Holdco is ultimately owned as to 50% by Sino Land and 25% by C C Land respectively.

Following the Completion, the Purchaser will hold the entire issued share capital of the Target Company together with all the interests in the Shareholder's Loan, and the Target Company and the BVI Holdco together with its subsidiaries will cease to be a subsidiary and associates of the Company respectively.

LISTING RULES IMPLICATION

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

INTRODUCTION

The Board announces that on 19 October 2015 (after market close), the Vendor, an indirect wholly-owned subsidiary of the Company, has entered into the Disposal Agreement with the Purchaser, pursuant to which the Vendor has conditionally agreed to dispose of and the Purchaser has conditionally agreed to acquire the entire issued share capital of the Target Company together with all the interests in the Shareholder's Loan at an aggregate consideration of HK\$1,750,000,000.

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

THE DISPOSAL AGREEMENT

Date: 19 October 2015 (after market close)

Parties: (a) Evergo as the Vendor; and
(b) Shengyu as the Purchaser.

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

Assets to be Disposed of:

Pursuant to the Disposal Agreement, the Vendor has conditionally agreed to dispose of and the Purchaser has conditionally agreed to acquire the entire issued share capital of the Target Company together with all the interests in the Shareholder's Loan at an aggregate consideration of HK\$1,750,000,000.

As at the date of this announcement, the Vendor owns 100% of the issued share capital of the Target Company, which in turn owns 25% of the issued share capital of the BVI Holdco, which in turn indirectly owns the entire interests in the Project Land through the Project Companies. As at the date of this announcement, the remaining issued share capital of the BVI Holdco is ultimately owned as to 50% by Sino Land and 25% by C C Land respectively.

Following the Completion, the Purchaser will hold the entire issued share capital of the Target Company together with all the interests in the Shareholder's Loan, and the Target Company and the BVI Holdco together with its subsidiaries will cease to be a subsidiary and associates of the Company respectively.

Consideration:

The Consideration for the Disposal is HK\$1,750,000,000.

The Consideration was determined by the parties to the Disposal Agreement upon arm's length negotiations on normal commercial terms with reference to (i) the unaudited net asset value of the Target Company (after equity accounting for the 25% interests in the

consolidated financial results of the BVI Holdco and its subsidiaries) of approximately HK\$67.1 million as at 31 August 2015; (ii) the estimated face value of the Shareholder's Loan as at the Completion Date; and (iii) share of 25% interests in the valuation surplus (net of deferred tax) of the preliminary result of the valuation of the Project Land performed by an independent qualified professional valuer, of approximately HK\$36.7 million.

The Directors consider that, taking into account of the effects of the preliminary result of the valuation of the Project Land performed by the independent qualified professional valuer, the Consideration, representing a premium of approximately HK\$114.7 million or 7.0% above the net asset value of the Target Company (after equity accounting for the 25% interests in the consolidated financial results of the BVI Holdco and its subsidiaries) as adjusted and the estimated face value of the Shareholder's Loan as at the Completion Date, is fair and reasonable.

Terms of Payment:

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

- (a) payment of 15% of the Consideration, amounting to HK\$262,500,000, as deposit of the Consideration (the "**Deposit**") shall be made on or before 15:00 on 26 October 2015;
- (b) payment of 15% of the Consideration, amounting to HK\$262,500,000, shall be made after the Completion and within 6 months following the date of the Disposal Agreement (or such other date as agreed by the Vendor and the Purchaser in writing);
- (c) payment of 20% of the Consideration, amounting to HK\$350,000,000, shall be made after the Completion and within 12 months following the date of the Disposal Agreement (or such other date as agreed by the Vendor and the Purchaser in writing);
- (d) payment of 20% of the Consideration, amounting to HK\$350,000,000, shall be made after the Completion and within 18 months following the date of the Disposal Agreement (or such other date as agreed by the Vendor and the Purchaser in writing); and
- (e) payment of 30% of the Consideration, amounting to HK\$525,000,000, shall be made after the Completion and within 24 months following the date of the Disposal Agreement (or such other date as agreed by the Vendor and the Purchaser in writing).

Overdue Fine

In the event that the Purchaser has not performed or fails to perform its payment obligations (including but not limited to not performing or failure to perform wholly) to the Consideration as agreed under the Disposal Agreement, it shall pay the Vendor a daily overdue fine at a rate agreed and set out in the Disposal Agreement.

Guarantee by Evergrande:

Evergrande shall unconditionally and irrevocably guarantee the due and punctual discharge of the Purchaser's payment obligations including default sum (if payable) under the Disposal Agreement and/or damages payable to the Vendor arising from the Purchaser's default in duly and punctually discharging the above payment obligations, and shall forthwith upon request settle or cause to be settled all such payment obligations without any set off or withhold.

Conditions Precedent:

Completion is conditional upon the satisfaction (or waiver pursuant to the Disposal Agreement) of the following Conditions Precedent:

- (a) if it is required by the Listing Rules or the Stock Exchange, the Company as the ultimate holding company of the Vendor 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 transaction contemplated thereunder, and grant all other necessary approvals or waivers as required (if applicable);
- (b) the Vendor shall obtain all necessary approvals required to be obtained from third parties in relation to the Disposal Agreement and the transaction contemplated thereunder (if necessary);
- (c) each of the Vendor or the Company, Sino Land and C C Land as guarantors of the BVI Holdco shall pay an amount in the proportion pro rata to the interests in the BVI Holdco for the purpose of repaying the outstanding loan owing by the BVI Holdco to a banking consortium in an aggregate amount of HK\$2,104,367,663.67, and the Vendor shall have provided to the Purchaser the related payment evidence. The relevant guarantee provided by each of the Company, Sino Land and C C Land and other securities for such banking facilities shall have been released on or before the Completion Date;
- (d) the Vendor shall obtain the necessary consents from the relevant banks to release all the security and guarantee obligations of the Target Group prior to Completion Date or shall have provided to the Purchaser related documents and evidence satisfactory to the Purchaser;
- (e) if it is required by the Listing Rules or the Stock Exchange, the ultimate holding company of the Purchaser 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 transaction contemplated thereunder, and grant all other necessary approvals or waivers as required (if applicable);
- (f) the Purchaser shall obtain all necessary approvals required to be obtained from third parties in relation to the Disposal Agreement and the transaction contemplated thereunder (if necessary);

- (g) the ultimate holding company of the Purchaser as surety to the Purchaser shall sign a deed of guarantee in favour of the Vendor as described under the paragraph headed “**Guarantee by Evergrande**” above;
- (h) the conditions precedent under the respective disposal agreement entered into by and between the Purchaser and the wholly-owned subsidiary of each of Sino Land and C C Land having being fulfilled (or waived in writing) and that completion of such disposals can proceed simultaneously together with the Completion; and
- (i) the Purchaser shall pay the Deposit to the designated bank account of the BVI Holdco on or before 15:00 on 26 October 2015 for the purpose of the BVI Holdco to repay its consortium loan on or before 27 October 2015.

Upon the signing of the Disposal Agreement, the Vendor and the Purchaser shall use their respective best endeavours to procure the satisfaction of items (a) to (i) (items (a) to (d) in the case of the Vendor and items (e) to (i) in the case of the Purchaser) of the Conditions Precedent as soon as practicable but no later than the Completion Date. In the event that all the Conditions Precedent are not being satisfied or waived (as the case may be) within three months upon the signing of the Disposal Agreement, the Disposal Agreement shall be terminated accordingly, upon which the Vendor shall return the Deposit (excluding interests) already paid by the Purchaser to the Purchaser within five Working Days following such termination.

Completion:

Completion shall take place after the fulfillment (or written waiver) of all the Conditions Precedent.

Completion of the sale and purchase of the entire issued share capital of the Target Company and the assignment of the Shareholder’s Loan shall take place simultaneously.

INFORMATION ABOUT THE TARGET GROUP

As at the date of this announcement, the Vendor owns 100% of the issued share capital of the Target Company, which in turn owns 25% of the issued share capital of the BVI Holdco, which in turn indirectly owns the entire interests in the Project Land through the Project Companies. The sole asset of the Target Company is the ownership of its interest in the BVI Holdco. As at the date of this announcement, the remaining issued share capital of the BVI Holdco is ultimately owned as to 50% by Sino Land and 25% by C C Land respectively.

The Project Land is situated at No. 1 Zhongxin Section and Qiaobei Village, Huaxinjie Street, Jiangbei District, Chongqing (重慶市江北區華新街街道橋北村及中興段1號) with a total site area of approximately 205,086 square meters. The approved purpose of the Project Land is for commercial, residential and school use. The term of the land use rights of the Project Land granted is 40 years for commercial use and 50 years for residential and school use. The Project Land is under development and will be developed into a residential and commercial property project namely The Coronation.

A summary of the unaudited results of the Target Company (after equity accounting for the 25% interests in the consolidated financial results of the BVI Holdco and its subsidiaries) for the two years ended 31 December 2013 and 2014 were prepared according to HKFRSs as follows:

	For the year ended 31 December 2013 <i>(HK\$ million)</i>	For the year ended 31 December 2014 <i>(HK\$ million)</i>
Loss before tax	4	13
Net loss after tax	4	13

As at 31 August 2015, the unaudited net asset value of the Target Company (after equity accounting for the 25% interests in the consolidated financial results of the BVI Holdco and its subsidiaries) was approximately HK\$67.1 million.

As at 31 August 2015 and the date of this announcement, the Company as guarantor has guaranteed on a several basis, the obligation of the BVI Holdco under certain banking facilities in favour of the banking consortium to the extent of approximately HK\$526.1 million. It is expected that such guarantee will be released on or before the Completion Date.

Following the Completion, the Purchaser will hold the entire issued share capital of the Target Company together with all the interests in the Shareholder's Loan, and the Target Company and the BVI Holdco together with its subsidiaries will cease to be a subsidiary and associates of the Company respectively.

INFORMATION ABOUT THE GROUP AND THE VENDOR

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

INFORMATION ABOUT THE PURCHASER AND EVERGRANDE

The Purchaser 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 ultimate beneficial owner are independent of and not connected with the Company and its connected persons.

FINANCIAL EFFECT OF THE DISPOSAL

The Group expects to record a gain of approximately HK\$86.7 million (before tax and subject to adjustment and audit) from the Disposal. This amount is calculated based on (i) the Consideration; (ii) the unaudited net asset value of the Target Company (after equity

accounting for the 25% interests in the consolidated financial results of the BVI Holdco and its subsidiaries) as at 31 August 2015; (iii) the estimated face value of the Shareholder's Loan as at the Completion Date; (iv) the release of exchange reserve arising from the Disposal; (v) the transaction cost arising from the Disposal; and (vi) adjustment to the Fair Value of Consideration.

The actual gain to be recorded might be different as the above estimate is based on the unaudited net asset value of the Target Company (after equity accounting for the 25% interests in the consolidated financial results of the BVI Holdco and its subsidiaries) as at 31 August 2015 and the estimated face value of the Shareholder's Loan as at the Completion Date, which might be different from those as at the Completion Date.

Following the Completion, the Target Company and the BVI Holdco together with its subsidiaries will cease to be a subsidiary and associates of the Company respectively, and the financial results, assets and liabilities of the Target Group will no longer be included in the consolidated financial statements of the Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS

The development of the Project Land as a residential and commercial property project will last for over 12 years as scheduled. The PRC is currently facing great economic challenges and certainly the remainder of such development time span will undergo certain micro and macro economic challenges and adjustments. Coupled with the anticipated levy of real estate tax and ample supply of properties in Chongqing, the Company believes that in order to maximise the value of the project timely and to rationalise the investment risk, the Disposal represents a good opportunity for the Group to realise its property investment in Chongqing in return for cash in Hong Kong currency. Upon completion of the Disposal, the Group will seek other investment opportunities which may attract better investment return in comparison.

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.

The net proceeds from the Disposal is approximately HK\$1,749.7 million, net of the transaction cost of the Disposal but before tax payments. 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, when aggregated with the Previous Disposal, exceed 5% but are less than 25%, the Disposal Agreement and the Disposal contemplated thereunder constitute a discloseable transaction of the Company pursuant to Chapter 14 of the Listing Rules. The Disposal Agreement and the Disposal 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:

“Board”	the board of Directors;
“BVI Holdco”	Benefit East Investments Limited, a company incorporated in the British Virgin Islands and owned as to 25% by the Target Company, 50% by a wholly-owned subsidiary of Sino Land, and 25% by a wholly-owned subsidiary of C C Land as at the date of this announcement and it holds 100% equity interests in the Project Companies;
“C C Land”	C C Land Holdings Limited (Stock Code: 1224), a company incorporated in Bermuda with limited liability, whose shares are listed on the main board of the Stock Exchange;
“Company”	Chinese Estates Holdings Limited (Stock Code: 127), a company incorporated in Bermuda with limited liability, whose shares are listed on the main board of the Stock Exchange;
“Completion”	the completion of the Disposal pursuant to the Disposal Agreement;
“Completion Date”	27 October 2015 (or such other date as agreed by the Vendor and the Purchaser in writing) on which the Completion takes place;
“Condition(s) Precedent”	conditions precedent 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 pursuant to the Disposal Agreement;
“Director(s)”	the director(s) of the Company;
“Disposal”	the disposal of the entire issued share capital of the Target Company together with all the interests in the Shareholder’s Loan pursuant to the Disposal Agreement;
“Disposal Agreement”	the equity and debt receivable transfer agreement signed on 19 October 2015 (after market close) entered into between the Vendor and the Purchaser, including relevant amendments and all appendices thereof;
“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 main board of the Stock Exchange, being the ultimate holding company of the Purchaser;
“Fair Value of Consideration”	the fair value of the Consideration measured at amortised cost using effective interest method in accordance with HKFRSs, after taking into account the various payment dates of each instalment of the Consideration receivable as at the Completion Date and the applicable discount rate;
“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 Administrative 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;
“Previous Disposal”	the disposal of the entire issued share capital of Lucky Benefit Limited and Rising Sheen Limited together with all the interests in the debts receivable pursuant to the disposal agreement dated 14 July 2015 entered into by and between Shengyu and Evergo;
“Project Companies”	members of the Target Group, including Champion Globe Limited, Champion Glory Holdings Limited and Champion King Investments Limited, each being company incorporated in Hong Kong as the intermediate companies together holding 100% of the equity interests in 重慶尖置房地產有限公司 (Chongqing Sino Land Company Limited), a company incorporated in the PRC, being the project company which holds the Project Land;
“Project Land”	a piece of land located at No. 1 Zhongxin Section and Qiaobei Village, Huaxinjie Street, Jiangbei District, Chongqing in the PRC, which is under development and will be developed into a residential and commercial property project namely The Coronation;

“Purchaser” or “Shengyu”	Shengyu (BVI) Limited, a company incorporated in the British Virgin Islands, which is a wholly-owned subsidiary of Evergrande;
“Shareholder’s Loan”	the shareholder’s loan owing by the Target Company to the Vendor amounted to HK\$1,004,694,837.18 as at the date of the Disposal Agreement and the shareholder’s loan is expected to be increased to about HK\$1,531,542,287.54 as at the Completion Date;
“Sino Land”	Sino Land Company Limited (Stock Code: 83), a company incorporated in Hong Kong with limited liability, whose shares are listed on the main board of the Stock Exchange;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	Million Castle Investments Limited, a company incorporated in the British Virgin Islands and wholly-owned by the Vendor as at the date of this announcement;
“Target Group”	the Target Company, the BVI Holdco and its subsidiaries;
“Vendor” or “Evergo”	Evergo Holdings (China) Company Limited, a company incorporated in the British Virgin Islands, which is an indirect wholly-owned subsidiary of the Company;
“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, 19 October 2015

As at the date of this announcement, the Board comprised Mr. Lau, Ming-wai, Ms. Chan, Lok-wan, Ms. Chan, Sze-wan and 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.

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