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CHINESE ESTATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 127)

MAJOR TRANSACTION

DISPOSAL OF A SUBSIDIARY

The Board announces that on 12th November, 2015 (after market close), the Vendor (an indirect wholly-owned subsidiary of the Company) has entered into the Disposal Agreement with the Purchaser (an independent third party), pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to acquire the entire issued share capital of and all the interests in the debts receivable from Pioneer Time at a total consideration of HK\$12,500,000,000 (subject to adjustment). Following Completion, the Purchaser will hold the entire issued share capital of and all the interests in the debts receivable from Pioneer Time.

As one or more of the applicable percentage ratios under Chapter 14 of the Listing Rules for the Disposal Transaction, either on a standalone basis or when aggregated with the Previous Transactions (which have been disclosed by way of announcements in accordance with the requirements under the Listing Rules), exceed 25% but are less than 75%, the Disposal Agreement and the Disposal Transaction constitute a major transaction for the Company and are subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

A circular containing, among others, (i) details of the Disposal Agreement and the Disposal Transaction and (ii) the valuation report on the Properties is expected to be despatched to the Shareholders on or before 3rd December, 2015.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder is required to abstain from voting on the resolution to approve the Disposal Agreement and the Disposal Transaction if the Company were to convene a general meeting for such approval. Global King (PTC) Ltd., being a substantial Shareholder holding 1,199,715,948 Shares (representing approximately 62.89% of the issued share capital of the Company as at the date of this announcement), has given its written approval for the Disposal Agreement and the Disposal Transaction and such written approval is accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules. Accordingly, no physical Shareholders' meeting will be held by the Company for approving the Disposal Agreement and the Disposal Transaction.

Shareholders and potential investors of the Company should note that Completion is subject to the satisfaction of the Conditions Precedent. Therefore, the Disposal Transaction may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in securities of the Company, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

INTRODUCTION

The Board announces that on 12th November, 2015 (after market close), the Vendor (an indirect wholly-owned subsidiary of the Company) has entered into the Disposal Agreement with the Purchaser (an independent third party), pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to acquire the entire issued share capital of and all the interests in the debts receivable from Pioneer Time at a total consideration of HK\$12,500,000,000 (subject to adjustment). Following Completion, the Purchaser will hold the entire issued share capital of and all the interests in the debts receivable from Pioneer Time.

THE DISPOSAL AGREEMENT

The major terms of the Disposal Agreement are set out below:-

Date: 12th November, 2015 (after market close)

Parties to the agreement: (a) Great System Investment Limited as vendor; and
(b) Shengyu (BVI) Limited as 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:

1. The entire issued share capital of Pioneer Time; and
2. All the interests in the debts receivable by the Vendor and/or its affiliates from Pioneer Time.

The Consideration:

The total Consideration for the sale and purchase of the entire issued share capital of and all the interests in the debts receivable from Pioneer Time is HK\$12,500,000,000 provided that if the total amount of the current liabilities (excluding debts receivable by the Vendor and/or its affiliates and deferred tax) of Pioneer Time is greater than the total amount of its current assets as shown in the Completion Accounts, the total Consideration shall be reduced by such difference and the sum payable under last instalment as set out in item (h) under the paragraph headed "Terms of payment" below shall be reduced accordingly.

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 unaudited net asset value of Pioneer Time of approximately HK\$10,043.9 million as at 30th September, 2015 after adjusting the carrying amount of the Properties to their market values as at 12th

November, 2015 and (ii) the estimated amount of the debts receivable as at the date of Completion.

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 agreed by the Vendor and the Purchaser in the following manner:-

- (a) 10% of the Consideration, amounting to HK\$1,250,000,000, as deposit of the Consideration within 5 Working Days following the date of the Disposal Agreement (or such other date as agreed by the Vendor and the Purchaser in writing);
- (b) 30% of the Consideration, amounting to HK\$3,750,000,000 at Completion;
- (c) 10% of the Consideration, amounting to HK\$1,250,000,000, on or before the first anniversary of Completion;
- (d) 10% of the Consideration, amounting to HK\$1,250,000,000, on or before the second anniversary of Completion;
- (e) 10% of the Consideration, amounting to HK\$1,250,000,000, on or before the third anniversary of Completion;
- (f) 10% of the Consideration, amounting to HK\$1,250,000,000, on or before the fourth anniversary of Completion;
- (g) 10% of the Consideration, amounting to HK\$1,250,000,000, on or before the fifth anniversary of Completion; and
- (h) 10% of the Consideration, amounting to HK\$1,250,000,000, on or before the sixth anniversary of Completion.

At Completion, Evergrande shall also give a corporate guarantee in favour of the Vendor for the due and punctual discharge of the Purchaser's payment obligations including the Consideration and overdue fine (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 aforementioned payment obligations.

Overdue fine:

If the Purchaser 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 Vendor 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 Purchaser on daily basis for any delay to pay the Consideration, unless and until the relevant Consideration has been fully paid.

If the Vendor 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 Purchaser an overdue fine calculated at a rate of three in ten-thousandths (namely 0.03% per day) of the relevant Consideration paid by the Purchaser on daily basis for any delay in performance, unless and until the relevant obligations have been fully performed.

Conditions Precedent:-

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

- (a) if required by the Listing Rules or the Stock Exchange, the Company as the 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 Disposal Transaction, 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 Transaction (if necessary);
- (c) if 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 Disposal Transaction, and grant all other necessary approvals or waivers as required (if applicable);
- (d) the Purchaser shall obtain all necessary approvals required to be obtained from third parties in relation to the Disposal Transaction (if necessary); and
- (e) the Purchaser is satisfied with the result of the due diligence.

The Purchaser shall complete the due diligence mentioned in item (e) of the Conditions Precedent within 30 days from the date of the Disposal Agreement. If the Purchaser is unsatisfied with the result of the due diligence, it is entitled to terminate the Disposal Agreement by giving a written notice to the Vendor (no later than the 30 days from the date of the Disposal Agreement). The Vendor shall return the deposit of the Consideration (if already paid by the Purchaser) (excluding interests) within 5 Working Days following the receipt of such written notice, and neither the Vendor nor the Purchaser shall be subject to any other liability in relation to the termination of the Disposal Agreement. If no such notice of termination is given by the Purchaser, the Purchaser shall be deemed to be satisfied with the result of the due diligence.

If the Conditions Precedent are not fulfilled within 45 days from the date of the Disposal Agreement (or such other dates as agreed between the parties), any party to the Disposal Agreement shall be entitled to terminate the Disposal Agreement by giving a written notice to the other party and the Vendor shall return the deposit of the Consideration (if already paid by the Purchaser) (excluding interests) within 5 Working Days following the receipt of such written notice, and neither the Vendor nor the Purchaser shall be subject to any other liability in relation to the termination of the Disposal Agreement.

Completion of the Disposal Transaction:

Subject to the Conditions Precedent having been satisfied, Completion shall take place on a date to be agreed by the Vendor and the Purchaser (which shall be no later than 6 months from the date of the Disposal Agreement).

Others:

The Group will continue the leasing of those office premises in the Properties (including the

principal office of the Company in Hong Kong) and car parking spaces in the Properties which are currently leased to the Group after Completion upon the terms of a new tenancy agreement to be negotiated by the parties and entered into on or before Completion, subject to the Vendor's undertaking to procure, if so requested by the Purchaser, the handover of no more than 2 floors of such leased office premises (other than the principal office of the Company in Hong Kong) to the Purchaser for renovation and use after signing of the Disposal Agreement. The Vendor shall procure the termination of existing tenancy of certain floors of the Properties, tenant's naming right of the Properties and licences for a signage on the Properties. After Completion, the Group will continue to provide property management services for the Properties in accordance with the existing agreement with Pioneer Time.

INFORMATION OF 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 Hong Kong and an indirect wholly-owned subsidiary of the Company.

INFORMATION OF THE PURCHASER AND ITS ULTIMATE HOLDING COMPANY

The Purchaser is an investment company incorporated in the BVI and is indirectly wholly-owned by Evergrande. Evergrande is principally engaged in the development of large scale residential properties and integrated commercial properties in the People's Republic of China.

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.

INFORMATION ABOUT THE ASSET TO BE DISPOSED OF

Information on Pioneer Time

Pioneer Time is property investment company incorporated in the BVI and a direct wholly-owned subsidiary of the Vendor. As at the date of this announcement, other than the Properties, bank deposits, inter-company debts, prepayments and rental receivables, Pioneer Time does not have any other material assets.

A summary of the audited results of Pioneer Time for each of the two years ended 31st December, 2013 and 2014 prepared according to HKFRSs is set out below:-

	For the year ended 31st December, 2013 <i>(HK\$ million)</i>	For the year ended 31st December, 2014 <i>(HK\$ million)</i>
Revenue	149	171
Fair value changes on investment properties	63	242
Profit before tax	134	368
Profit after tax	121	347

As at 30th September, 2015, the unaudited net asset value of Pioneer Time after adjusting the carrying amount of the Properties to their market values as at 12th November, 2015 was approximately HK\$10,043.9 million.

Information on the Properties

Pioneer Time is the owner of the Properties and the details of which are set out below:

Properties	Usage	Attributable interests to the Group
The properties known as “MassMutual Tower”, situated at No. 38 Gloucester Road and No. 25 Jaffe Road, Wanchai, Hong Kong	Commercial	100%

FINANCIAL EFFECT OF THE DISPOSAL TRANSACTION

After Completion, Pioneer Time will cease to be a subsidiary of the Company and its financial results, assets and liabilities will no longer be included in the consolidated financial statements of the Group.

The Group expects to record a gain of approximately HK\$1,529.4 million (subject to adjustment and audit) from the Disposal Transaction. This amount is calculated based on (i) the Consideration (after adjustment of the estimated net current liabilities in the Completion Accounts); (ii) the unaudited net asset value of Pioneer Time as at 30th September, 2015 (adjusted for the carrying amount of part of the Properties which are leased to third parties to their market values as at 12th November, 2015; while the carrying amount of part of the Properties which are occupied by the Group remained at cost less accumulated depreciation); (iii) the estimated amount of the debts receivable as at 30th September, 2015 assuming an advance to Pioneer Time for repayment of bank loan; (iv) the transaction cost arising from the Disposal Transaction; and (v) adjustment to the Fair Value of the Consideration.

The actual gain to be recorded might be different as the above estimate is based on (i) the unaudited net asset value of Pioneer Time as at 30th September, 2015 (taking into account the market values of part of the Properties which are leased to third parties as at 12th November, 2015); (ii) the estimated amount of the debts receivable as at 30th September, 2015 assuming an advance to Pioneer Time for repayment of bank loan; (iii) adjustment of estimated net current liabilities in the Completion Accounts; and (iv) adjustment to the Fair Value of the Consideration, which might be different from those as at the date of Completion.

Following Completion, contribution of rental income from the Properties will not be included in the consolidated financial statements of the Group. This will lead to a drop of rental income of the Group. Pioneer Time had outstanding bank loan of HK\$1,785.0 million as at the date of this announcement. Following Completion, the level of borrowings of the Group shall be reduced and this will result in a lower finance costs to be incurred by the Group.

Principal assets of Pioneer Time are the Properties. In the consolidated financial statement of the Group, part of the Properties which are leased to third parties are recorded as investment properties and stated at fair value; while part of the Properties which are occupied by the Group as office premises are recorded as property, plant and equipment and stated at cost less accumulated depreciation. As a result of the Disposal Transaction, such assets will be deconsolidated from the Group’s consolidated statement of financial position upon Completion. On the other hand, the Group is expected to receive the net proceeds from the

Disposal Transaction which are estimated to amount to HK\$12,498.3 million and that will increase the Group's total assets by the same amount. Similarly, liabilities of Pioneer Time will be deconsolidated from the Group's consolidated statement of financial position upon Completion, it is expected that the total liabilities of the Group will be reduced by the carrying amount of total liabilities of Pioneer Time at the date of Completion. Save for the aforesaid effects arising from the Disposal Transaction, the Disposal Transaction does not have other material effect on the earnings, assets and liabilities of the Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL TRANSACTION, AND USE OF PROCEEDS

The Disposal Transaction enables the Group to realize cash and unlock the value in its investment in the Properties at fair market value. The net proceeds from the Disposal Transaction is approximately HK\$12,498.3 million, net of the transaction cost of the Disposal Transaction. The net proceeds to be received by the Vendor from the Disposal Transaction will be applied towards the working capital requirements of the Group.

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 the Shareholders as a whole.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios under Chapter 14 of the Listing Rules for the Disposal Transaction, either on a standalone basis or when aggregated with the Previous Transactions (which have been disclosed by way of announcements in accordance with the requirements under the Listing Rules), exceed 25% but are less than 75%, the Disposal Agreement and the Disposal Transaction constitute a major transaction for the Company and are subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

A circular containing, among others, (i) details of the Disposal Agreement and the Disposal Transaction and (ii) the valuation report on the Properties is expected to be despatched to the Shareholders on or before 3rd December, 2015.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder is required to abstain from voting on the resolution to approve the Disposal Agreement and the Disposal Transaction if the Company were to convene a general meeting for such approval. Global King (PTC) Ltd., being a substantial Shareholder holding 1,199,715,948 Shares (representing approximately 62.89% of the issued share capital of the Company as at the date of this announcement), has given its written approval for the Disposal Agreement and the Disposal Transaction and such written approval is accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules. Accordingly, no physical Shareholders' meeting will be held by the Company for approving the Disposal Agreement and the Disposal Transaction.

Shareholders and potential investors of the Company should note that Completion is subject to the satisfaction of the Conditions Precedent. Therefore, the Disposal Transaction may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in securities of the Company, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

DEFINITIONS

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

“affiliate(s)”	a party is an affiliate 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 affiliates if they are subject to common control, joint control or significant influence;
“Board”	the board of Directors;
“BVI”	the British Virgin Islands;
“Company”	Chinese Estates Holdings Limited (Stock Code: 127), a company incorporated in Bermuda with limited liability, whose shares are listed on the mainboard of the Stock Exchange;
“Completion”	the completion of the Disposal Transaction;
“Completion Accounts”	unaudited financial statements of Pioneer Time as at the date of Completion to be produced by the Vendor to the Purchaser on the date of Completion;
“Condition(s) Precedent”	condition(s) precedent as set out in the Disposal Agreement;
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“Consideration”	the consideration payable by the Purchaser under the Disposal Agreement, being HK\$12,500,000,000 (subject to adjustment);
“Director(s)”	the director(s) of the Company;
“Disposal Agreement”	the equity and debt transfer agreement dated 12th November, 2015 entered into between the Vendor and the Purchaser (after market close) in respect of the sale and purchase of the entire issued share capital of and all the interests in the debts receivable from Pioneer Time;
“Disposal Transaction”	the transaction contemplated under the Disposal Agreement;
“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;

“Evergrande Group”	Evergrande and its subsidiaries;
“Fair Value of the 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 date of Completion 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 People’s Republic of China;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time;
“Pioneer Time”	Pioneer Time Investment Limited, a company incorporated in the BVI with limited liability, which is a direct wholly-owned subsidiary of the Vendor as at the date of this announcement;
“Previous Transactions”	transactions of the Company regarding the disposals of subsidiaries to Evergrande Group as disclosed in the announcements of the Company dated 14th July, 2015 and 19th October, 2015;
“Properties”	the properties held directly by Pioneer Time, as set out under the paragraph headed “Information on the Properties” in the section of “Information about the assets to be disposed of” of this announcement;
“Purchaser”	Shengyu (BVI) Limited, a company incorporated in the BVI with limited liability, which is an indirect wholly-owned subsidiary of Evergrande;
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	the holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Vendor”	Great System Investment Limited, a company incorporated in Hong Kong with limited liability, 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, 12th November, 2015

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

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