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CHINESE ESTATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 127)

INSIDE INFORMATION ANNOUNCEMENT POSITIVE PROFIT ALERT

This announcement is made by the Company pursuant to Rule 13.09(2)(a) of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the SFO.

The Board wishes to inform the Shareholders and potential investors that based on the information currently available to the Management, it is expected that the Group may record an increase in the Revenue ranging from 96% to 106% and may record a Profit for the Period, as compared with the revenue of HK\$969 million and the consolidated net loss attributable to the owners of the Company of HK\$115 million for the six months ended 30 June 2015. In addition, the Group may record a significant other comprehensive expense attributable to the owners of the Company of approximately HK\$2,314 million for the Period.

The Company is in the process of finalising the Group's interim results for the Period. The information contained in this announcement is only based on a preliminary assessment by the Management on the unaudited consolidated management accounts of the Group and is not based on any figures or information that have been audited or reviewed by the Company's auditors, and may be subject to amendments. Details of the Group's financial information will be disclosed in the forthcoming interim results announcement which is expected to be published in August 2016.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company and, in case of doubt, to seek independent advice from professional or financial advisers.

This announcement is made by Chinese Estates Holdings Limited (the "**Company**", together with its subsidiaries, collectively the "**Group**") pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the "**SFO**").

The board of directors of the Company (the “**Board**”) wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that based on the information currently available to the management of the Company (the “**Management**”), it is expected that the Group may record an increase in the revenue (the “**Revenue**”) ranging from 96% to 106% and may record a consolidated net profit attributable to the owners of the Company (“**Profit**”) for the six months ended 30 June 2016 (the “**Period**”), as compared with the revenue of HK\$969 million and the consolidated net loss attributable to the owners of the Company of HK\$115 million for the six months ended 30 June 2015.

The increase in the Revenue and the result of a Profit were primarily due to the following reasons:-

- (1) Disposal of a subsidiary holding MassMutual Tower (the “**MMT Disposal**”). Subsequent to the completion of the MMT Disposal and disposal of a subsidiary holding The ONE in January 2016 and July 2015 respectively, the Group’s rental revenue and net rental income for the Period have been significantly decreased when compared to that for the corresponding period in 2015. However, upon completion of the MMT Disposal, the Group recorded a substantial gain on disposal of a subsidiary of approximately HK\$1,277 million (subject to audit and adjustment). The gain was mainly derived from the realisation of fair value gain recognised on the Group’s owner-occupied part of MassMutual Tower which was stated at cost less accumulated depreciation.
- (2) Increase in sale of trading properties. In the first half of 2016, completion of sale of certain residential units and car parking spaces at 55 Conduit Road (70% interest) has recorded approximately HK\$1,480 million in the Revenue and has contributed attributable gross profit to the Group of approximately HK\$657 million. There were minimal sales of trading properties recorded in the corresponding period in 2015.
- (3) Imputed interest income from deferred consideration receivables. Following the disposals of subsidiaries holding Chengdu projects and Chongqing project in the second half of 2015 and the MMT Disposal, part of the respective considerations of the respective disposals would be received over one year from the respective completion dates. Accordingly, the deferred consideration receivables were initially recognised at fair value and subsequently measured at amortised cost. During the Period, the Group recorded an imputed interest income of approximately HK\$474 million from the deferred consideration receivables, however no similar imputed interest income was recorded during the first half of 2015.
- (4) Disposal of a subsidiary holding Evergo Tower at Shanghai. During the Period, the Group had disposed of a subsidiary holding Evergo Tower at Shanghai, People’s Republic of China (the “**Evergo Disposal**”). It is expected that a gain on the Evergo Disposal of approximately HK\$721 million (before tax and subject to audit and adjustment) will be recorded in the Period.
- (5) Income from listed investments held-for-trading and treasury products. The Group has in the ordinary and normal course of business conducted its securities investment activities for years. During the Period, based on the preliminary assessment, it is expected that the Group will record net profit of approximately HK\$434 million from the segment of the listed investments held-for-trading and treasury products as compared with that of HK\$150 million for the corresponding period in 2015. Such net profit includes realised gain on disposal; unrealised loss on changes in fair value; and net income from interest income, other net investment income and other net finance income. The increase was mainly attributable to, among others, the increase in interest income from bonds.

- (6) Income from Financial Assets measured at FVTOCI (as defined below). The Group will record a dividend income of approximately HK\$191 million (before withholding tax and transaction costs) from Shengjing Bank (as defined below) during the Period.
- (7) Loss on fair value changes on investment properties. The Group's investment properties were revalued as at 30 June 2016 and a loss on fair value changes of approximately HK\$0.9 billion will be recorded for the Period as compared with the fair value as at 31 December 2015. The decline in fair value in the first half of 2016 was mainly due to a decrease in fair values of the retail properties in Hong Kong as a result of rental rates of certain retail business sectors have shown indications of reaching their peaks. In the first half of 2015, a loss on fair value changes on investment properties of HK\$544 million was recorded. The fair value change is a non-cash item and will not affect the cash flow of the Group.

Nevertheless, in addition to the increase in the Revenue and the result of a Profit, it is expected that the Group may record a significant other comprehensive expense (item that will not be reclassified to profit or loss) attributable to the owners of the Company for the Period, which is:

Fair value changes on financial assets measured at fair value through other comprehensive income (the "**Financial Assets measured at FVTOCI**"). The Group has in the ordinary and normal course of business conducted its securities investment activities for years. In May 2016, the Group has acquired 577,180,500 H shares of Shengjing Bank Co., Ltd. (Stock Code: 2066) ("**Shengjing Bank**") at the total consideration of approximately HK\$6,926 million. Based on the preliminary assessment on the closing market price of Shengjing Bank as at 30 June 2016, it is expected that an unrealised loss on fair value changes on the Financial Assets measured at FVTOCI of approximately HK\$2,314 million will be recorded as an other comprehensive expense during the Period. The fair value change is a non-cash item and will not affect the cash flow of the Group.

The Company is in the process of finalising the Group's interim results for the Period. The information contained in this announcement is only based on a preliminary assessment by the Management on the unaudited consolidated management accounts of the Group and is not based on any figures or information that have been audited or reviewed by the Company's auditors, and may be subject to amendments. Details of the Group's financial information will be disclosed in the forthcoming interim results announcement which is expected to be published in August 2016.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company and, in case of doubt, to seek independent advice from professional or financial advisers.

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

Hong Kong, 19 July 2016

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>