CHINESE ESTATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 127)

INSIDE INFORMATION ANNOUNCEMENT
PROFIT WARNING

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 a substantial decline in the Revenue ranging from 55% to 65% and a decrease in the Profit ranging from 37% to 47% for the Year, as compared with the revenue of HK$3,745 million and the consolidated net profit attributable to the owners of the Company of HK$6,360 million for the year ended 31 December 2016. In addition, the Group may record a significant increase in the Total Comprehensive Income ranging from 373% to 383% for the Year, as compared with the consolidated total comprehensive income attributable to the owners of the Company of HK$3,419 million for the year ended 31 December 2016. Included in the Total Comprehensive Income is the significant other comprehensive income in respect of realised gain on fair value change of the SJB Shares and unrealised gain on fair value change of the Evergrande Shares of approximately HK$2.1 billion and HK$9.9 billion respectively.

The Company is in the process of finalising the Group's final results for the Year. 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 final results announcement which is expected to be published in late February 2018.

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) ("**Inside Information**") 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 a substantial decline in the revenue (the "**Revenue**") ranging from 55% to 65% and a decrease in the consolidated net profit attributable to the owners of the Company (the "**Profit**") ranging from 37% to 47% for the year ended 31 December 2017 (the "**Year**"), as compared with the revenue of HK$3,745 million and the consolidated net profit attributable to the owners of the Company of HK$6,360 million for the year ended 31 December 2016.

Following are a number of reasons which led to a substantial decline in the Revenue and a decrease in the Profit:-

(1) Disposals of subsidiaries. Disposal of subsidiaries holding certain shops of Lowu Commercial Plaza located in Shenzhen, the People's Republic of China (the "**PRC**") (the "**Pinecrest Disposal**") was completed in February 2017. In addition, disposals of subsidiaries holding Evergo Tower located in Shanghai, the PRC (the "**Evergo Shanghai Disposal**") and Windsor House located in Causeway Bay, Hong Kong (the "**Windsor Disposal**") were completed in June and September 2016 respectively. Notwithstanding the acquisitions of properties located in London, the United Kingdom (including a mixed use building located in 11 and 12 St James's Square and 14 to 17 Ormond Yard in May 2017, office building located in 14 St George Street in April 2016 and mixed use building located in 61-67 (odd) Oxford Street and 11-14 Soho Street in May 2016), subsequent to the completion of the Pinecrest Disposal, the Evergo Shanghai Disposal and the Windsor Disposal, the Group's rental revenue has been significantly decreased ranging from 34% to 44% which led to decrease in net rental income for the Year when compared with that for the year of 2016. Furthermore, the Group recorded gain on disposals of subsidiaries, mainly comprised the Pinecrest Disposal and disposal of subsidiaries holding a property development situated at No. 12 Shiu Fai Terrace, Mid-Levels East, Hong Kong (both were completed in February 2017) in aggregate of approximately HK$143 million (subject to audit and adjustment) for the Year, as compared with HK$2,311 million for the year of 2016.

(2) Decrease in sales of trading properties. During the Year, sales of trading properties being comprised of residential units and parking spaces at 55 Conduit Road (70% interest), residential units and retail properties at One South Lane (100% interest) and commercial accommodation and units, hourly parking area and parking spaces at The Zenith (87.5% interest) have recorded approximately HK$990 million in the Revenue as compared with HK$2,943 million for the year of 2016; and have contributed attributable profit (including share of results of associates) of approximately HK$454 million as compared with HK$1,015 million for the year of 2016.

(3) Imputed interest income from deferred consideration receivables. Following the disposals of subsidiaries holding Chengdu project and Chongqing project in the second half of 2015 and MassMutual Tower (now known as China Evergrande Centre) in January 2016, 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 Year, the Group recorded imputed interest income of approximately HK$773 million (2016: HK$1,832 million) from the deferred consideration receivables.

(4) 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 Year, based on the preliminary assessment, it is expected that the Group would record a net profit of approximately HK$1,647 million from the segment of the listed investments held-for-trading and treasury products as compared with that of HK$905 million for the year of 2016. Such net profit includes realised gain (loss) on disposals; unrealised gain (loss) on changes in fair values; and net income from interest income, other net investment income and other net finance costs. The increase was mainly attributable to, among others, the unrealised gain from bonds issued by financial institutions during the Year. The Group believes that the increase in bond price of bonds issued by financial institutions during the Year, among others, was owing to the European banking sector has been facing a more stable political environment and ongoing economic recovery during the Year. The unrealised fair value change is a non-cash item and will not affect the cash flow of the Group.

(5) Income from financial assets measured at fair value through other comprehensive income. Included in the segment of the financial assets measured at fair value through other comprehensive income are net dividend income of approximately HK$147 million (after withholding tax and transaction costs) from 577,180,500 H shares of Shengjing Bank Co., Ltd. (Stock Code: 2066) (the "**SJB Shares**") and net expenses from other investment income and net finance costs during the Year (2016: net dividend income of HK$171 million (after withholding tax and transaction costs)).

(6) Gain on fair value changes on investment properties. The Group's investment properties were revalued as at 31 December 2017 and gain on fair value changes of approximately HK$565 million would be recorded for the Year as compared with the fair value as at 31 December 2016. The gain on fair value changes for the Year was mainly derived from Harcourt House. In the year of 2016, gain on fair value changes on investment properties of HK$139 million was recorded. The fair value change is a non-cash item and will not affect the cash flow of the Group.

In addition to the substantial decline in the Revenue and the decrease in the Profit which constitute profit warning and Inside Information of this announcement, the Group may record a significant increase in the consolidated total comprehensive income attributable to the owners of the Company (the "**Total Comprehensive Income**") ranging from 373% to 383% for the Year, as compared with the consolidated total comprehensive income attributable to the owners of the Company of HK$3,419 million for the year ended 31 December 2016. Reference is made to the Company's announcement dated 2 January 2018 (the "**January Announcement**") that it is expected that the Group would record significant other comprehensive income attributable to the owners of the Company for the Year which comprised realised gain on fair value change of the SJB Shares and unrealised gain on fair value change of the Evergrande Shares (as defined in the January Announcement) of approximately HK$2.1 billion and HK$9.9 billion respectively. The Group believes that the increase in share price of China Evergrande (as defined in the January Announcement) from April to the end of December 2017, among others, was owing to the encouraging operating data and completion of redemption of all its perpetual bonds during the Year which implied improvement in profitability. In addition, the overall optimistic prospect in the PRC real estate industry was demonstrated by increase in share price of companies in the same industry during the Year. The unrealised fair value change is a non-cash item and will not affect the cash flow of the Group.

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

Hong Kong, 8 February 2018

As at the date of this announcement, the Board comprised Ms. Chan, Sze-wan, Ms. Chan, Hoi-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