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CHINESE ESTATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 127)

MAJOR AND CONNECTED TRANSACTION DISPOSAL OF A SUBSIDIARY

Financial adviser to the Company



建泉融資有限公司
VBG Capital Limited

The Board announces that on 15 March 2017, the Vendor and the Company entered into the Disposal Agreement with the Purchaser and Ms. Chan, Hoi-wan as the guarantor of the Purchaser in relation to the sale and purchase of the Sale Shares and the Sale Loan.

The Sale Shares represent the entire issued share capital of Great Captain. The principal asset of Great Captain is its interest in 577,180,500 SJB Shares. Upon the Disposal Completion, Great Captain will cease to be a subsidiary of the Company.

As the Disposal Agreement was entered into within 12 months after the completion of the Previous Disposal Agreements respectively, and all such agreements were entered into by the Company with the same connected person and/or her associates, the Disposal Transaction and the Previous Transactions are required to be aggregated pursuant to Rule 14.22 and Rule 14A.81 of the Listing Rules. As the applicable percentage ratios under Chapter 14 of the Listing Rules in respect of the Disposal Transaction (when aggregated with the Previous Transactions) exceed 25% but are less than 75%, the Disposal Transaction constitutes a major transaction for the Company and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As Ms. Chan, Hoi-wan, an executive Director and a substantial Shareholder who (as trustee for her two minor children) indirectly holds approximately 50.02% of the total issued share capital of the Company as at the date of this announcement, is a director and the sole beneficial owner of the Purchaser, Ms. Chan, Hoi-wan and the Purchaser are connected persons of the Company. Accordingly, the Disposal Transaction also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

A circular containing, among others, (i) details of the Disposal Agreement and the Disposal Transaction; (ii) the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; (iii) the recommendation from the Independent Board Committee to the Independent Shareholders; and (iv) the notice of SGM is expected to be despatched to the Shareholders on or before 6 April 2017.

Shareholders and potential investors of the Company should note that completion of the Disposal Agreement (including any Partial Completion) is subject to the satisfaction of the Condition Precedent, namely, the obtaining of the approval of the Independent Shareholders at the SGM in respect of the Disposal Agreement and the Disposal Transaction. Therefore, the Disposal Transaction may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the 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 15 March 2017, the Vendor and the Company entered into the Disposal Agreement with the Purchaser and Ms. Chan, Hoi-wan as the guarantor of the Purchaser in relation to the sale and purchase of the Sale Shares and the Sale Loan.

THE DISPOSAL AGREEMENT

Date

15 March 2017

Parties

- (a) China Entertainment and Land Investment Company, Limited, as the vendor;
- (b) the Company, as the vendor guarantor;
- (c) Perfect Sign Investments Limited, as the purchaser; and
- (d) Ms. Chan, Hoi-wan, as the purchaser guarantor.

In consideration of the Purchaser and Ms. Chan, Hoi-wan entering into the Disposal Agreement, the Company has agreed to guarantee the performance by the Vendor of its obligations under the Disposal Agreement. In consideration of the Vendor and the Company entering into the Disposal Agreement, Ms. Chan, Hoi-wan has agreed to guarantee the performance by the Purchaser of its obligations under the Disposal Agreement.

Subject matter

Under the terms of the Disposal Agreement, the Vendor has agreed to transfer the Sale Shares and assign the Sale Loan to the Purchaser free from all Encumbrances (where the relevant bank consents have been obtained, save for any Encumbrances created by the Bank Loan Documents) and with all dividends, benefits and other rights becoming attached or accruing

thereto as from the date(s) of completion of sale of the Sale Shares and the Sale Loan (or any part thereof).

Condition Precedent

Completion of the Disposal Agreement (including any Partial Completion) is conditional upon the obtaining of the approval by the Independent Shareholders at the SGM in respect of the Disposal Agreement and the Disposal Transaction.

If the Condition Precedent is not fulfilled on or before the Long Stop Date, the Disposal Agreement shall thereupon terminate whereupon none of the parties thereto shall have any claim against the other for costs, damages, compensation or otherwise (save in respect of any prior breach of the Disposal Agreement).

Completion

The parties agreed that in addition to completing the sale and purchase of all the Sale Shares and the Sale Loan in one go at the same time, the Purchaser shall be entitled to request for Partial Completion of such sale and purchase through different stages, subject to the Condition Precedent having been satisfied and the obtaining of the Bank Consents required for such Partial Completion.

In the event that the Purchaser shall elect for Partial Completion, the Purchaser shall notify the Vendor in writing the proposed date (being not earlier than 5 days after the date of such prior written notice) on which the Partial Completion shall take place (provided that the Final Completion shall take place on the Final Completion Date). The number of Partial Sale Shares subject to such Partial Completion shall be a number representing 10% or 10% plus a multiple of 1% of all the Sale Shares (provided that in the case of Final Completion, the Final Sale Shares shall be the remaining number of the Sale Shares which have not been so sold under all previous Partial Completion). The amount of Partial Sale Loan that would be assigned under such Partial Completion shall be determined by reference to the number of Partial Sale Shares subject to such Partial Completion, the number of Sale Shares remaining unsold and the total outstanding Sale Loan at such Partial Completion pursuant to the terms of the Disposal Agreement (provided that in case of the Final Completion, the Final Sale Loan shall be the Sale Loan still outstanding at the Final Completion).

If no Partial Completion is to be made, Completion shall take place on the Completion Date. The parties to the Disposal Agreement undertake with each other parties thereto to use their respective reasonable endeavours and in good faith to proceed with Completion, or Partial Completion and Final Completion, as soon as practicable after the fulfilment of the Condition Precedent.

Consideration

Where there is no Partial Completion, the Consideration payable by the Purchaser for all the Sale Shares and the Sale Loan shall be calculated as follows and subject to a maximum amount equal to the cap of HK\$7,000 million:

$$\text{Consideration} = A + B - C - D - E$$

where :-

A = the Initial Investment Costs

B = the total amount of notional interests on the Net Investment Amount (which may vary from time to time) accruing on a daily basis from the Acquisition Date up to the Completion Date calculated at the rate of 1% per annum on the basis of the actual number of days elapsed and a year of 365 days from and including the first day of such period but excluding the last day thereof

C = the total amount of dividends income or distributions (net of any withholding tax and any related transaction costs) which have so far, from the Acquisition Date up to and inclusive of the time of Completion, been received by Great Captain arising from its holding of the SJB Shares

D = the total amount of all those sale proceeds (net of any related transaction costs) arising from Great Captain's disposals of its SJB Shares effected at the request of the Purchaser which have, up to and inclusive of the time of Completion, been applied to repay the Sale Loan and/or the Bank Loan or any part thereof

E = the outstanding amount of the Bank Loan as of the Completion Date

If and whenever there is any Partial Completion, each Partial Consideration and the Final Consideration shall be calculated and ascertained in the following manner, for the purpose of each Partial Completion or Final Completion (as the case may be):-

- (i) in respect of each Partial Completion, the amount of the Partial Consideration payable by the Purchaser for such Partial Completion shall be calculated as follows:-

Partial Consideration = (Relevant Fraction x H) – Y – Z, provided that where the Partial Consideration so ascertained is a negative figure, the amount of the Partial Consideration shall be deemed to be HK\$1.00

where :-

Y = the total amount of all those sale proceeds (net of any related transaction costs) arising from Great Captain's disposals of its SJB Shares effected at the request of the Purchaser which have, up to and inclusive of the time of Partial Completion for such forthcoming Partial Completion, been applied to repay the Sale Loan and/or the Bank Loan or any part thereof in accordance with the terms of the Disposal Agreement

Z = the aggregate cumulative amount of all previous Partial Consideration already paid by the Purchaser under the Disposal Agreement

“**Relevant Fraction**” means a fraction, the numerator of which shall be equal to the cumulative number of all those Partial Sale Shares sold under all previous Partial Completion plus the number of Partial Sale Shares to be sold under such forthcoming Partial Completion and the denominator of which shall

be equal to the number of all the Sale Shares to be sold and purchased under the Disposal Agreement

$$H = A + B - C$$

where:-

A = the Initial Investment Costs

B = the total amount of notional interests on the Net Investment Amount (which may vary from time to time) accruing on a daily basis from the Acquisition Date up to the Partial Completion Date for such forthcoming Partial Completion, calculated at the rate of 1% per annum on the basis of the actual number of days elapsed and a year of 365 days from and including the first day of such period but excluding the last day thereof

C = the total amount of dividends income or distributions (net of any withholding tax and any related transaction costs) which have so far, from the Acquisition Date up to and inclusive of the time of Partial Completion for such forthcoming Partial Completion, been received by Great Captain arising from its holding of the SJB Shares

- (ii) in respect of the Final Consideration, it shall be a sum equal to the Consideration (with modifications that the respective references to “Completion Date” be substituted with “Final Completion Date” and the respective references to “time of Completion” be substituted with “time of Final Completion”) minus all previous Partial Consideration already paid by the Purchaser to the Vendor, provided that in case such sum derived is a negative figure, the Final Consideration shall be deemed to be HK\$2.00 and in addition the Vendor shall upon Final Completion pay to the Purchaser a sum equal to the amount of such negative figure (as if it were a positive figure for this purpose); and
- (iii) the aggregate amount of all Partial Consideration and Final Consideration shall not exceed the cap of HK\$7,000 million.

Deposits

Pursuant to the Disposal Agreement, the Purchaser shall pay to the Vendor the Deposits, which will be applied towards settlement of the Consideration at Completion or the Final Consideration at the Final Completion. Ms. Chan, Hoi-wan has agreed to procure Century Frontier, Solar Bright and JLLHIL to undertake to the Company and the Vendor that they shall (as agents and on behalf of the Purchaser) pay or procure to pay to the Company (as agent of the Vendor) the aggregate amount of such Special Dividend payable to them or their respective nominee(s) or custodian(s) by the Company as payment of the Deposits (or any part thereof).

If the Condition Precedent shall not have been satisfied on or before the Long Stop Date, or Completion or Final Completion does not proceed and such non-completion does not arise as a result of the default of the Purchaser or Ms. Chan, Hoi-wan under the Disposal Agreement,

the Vendor shall return the Deposits (if any) without interest to the Purchaser within 7 Business Days after receiving a written demand from the Purchaser for the return.

If the Condition Precedent shall have been satisfied but completion of all the Sale Shares and the Sale Loan does not occur and such non-completion arises as a result of the default of the Purchaser or Ms. Chan, Hoi-wan under the Disposal Agreement, such part of the Deposits equivalent to 10% of the Initial Investment Costs shall be forfeited to the Vendor and, whereupon, the balance of the Deposits (if any) then received by the Vendor will be retained by the Vendor as security for the payment of compensation for any additional losses and/or damages (if any) suffered by the Vendor arising from such default until such losses and damages suffered by the Vendor have been assessed in accordance with the Disposal Agreement. The Vendor will, after deducting from the retained sum such losses and damages so assessed to the extent exceeding the amount of the Deposits so forfeited, return the remaining balance of the retained sum to the Purchaser. In the event the aggregate amount of the Deposits received by the Vendor at the time of forfeiture shall be less than 10% of the Initial Investment Costs, the Vendor shall be entitled to forfeit the entire Deposits and claim against the Purchaser and/or Ms. Chan, Hoi-wan to recover any further loss and/or damage (if any) suffered by the Vendor, which shall be equal to the amount of the losses and damages suffered by the Vendor as assessed in accordance with the Disposal Agreement less the total amount of the Deposits so forfeited, arising from such default.

If there occurs any Partial Completion, subject to the Vendor having received the full amount of the damages as provided in the Disposal Agreement, the parties shall do or procure to be done all such acts and things and execute or procure to be executed all such deeds and documents as may be necessary or desirable to unravel and unwind the sale and purchase of all those Partial Sale Shares and Partial Sale Loan effected under all previous Partial Completion and (as far as possible) restore the parties to their original position as if all such previous Partial Completion had not taken place.

The Purchaser may elect to settle the Consideration or the Final Consideration (or any part thereof) by procuring certain Shareholders to apply their Dividend Entitlements, subject to Completion or Final Completion (as the case may be), towards the payment of the Consideration or the Final Consideration and the Company will be authorised and instructed to pay such Dividend Entitlements to the Vendor, in lieu of such Shareholders, to settle the Consideration or the Final Consideration to the extent of the aggregate amount of such Dividend Entitlements.

Undertakings and Indemnity

For the purpose of facilitating the obtaining of the Bank Consents and a release of the CE Guarantees prior to Completion, Partial Completion or Final Completion, each of the Purchaser and Ms. Chan, Hoi-wan agrees to give and/or procure the provision of such guarantee, indemnity or security as may be reasonably required by the relevant banks or lenders or beneficiaries of the CE Guarantees following or upon such completion to replace the CE Guarantees.

Financing

The Vendor has agreed that, if the Purchaser needs to raise loans or other borrowings from banks or third parties for its payment of the Consideration or the Final Consideration or any

part thereof, on the basis of Great Captain providing guarantees or securities to such banks or third parties, and if so requested by the Purchaser and subject to compliance with all applicable laws and regulations, the Vendor will procure Great Captain to give reasonable assistance to the Purchaser prior to or at Completion or Final Completion to facilitate the provision of such securities by Great Captain and the obtaining of such financing by the Purchaser upon Completion or Final Completion.

Given the above guarantee(s) or security(ies) if provided by Great Captain will only be provided if Completion or Final Completion occurs, and that upon such completion, Great Captain will cease to be a subsidiary of the Company but become a wholly-owned subsidiary of the Purchaser, such financial assistance will therefore be provided by the subsidiary of the Purchaser. Hence, the assistance if provided by the Vendor under the Disposal Agreement will be administrative assistance in facilitating the Purchaser to obtain financing to complete the Disposal Agreement. Such administrative assistance is not unusual in sale and purchase transactions of this kind.

Sale of SJB Shares

Subject to and following fulfilment of the Condition Precedent, the Purchaser shall be entitled at any time to give the Vendor a prior written notice requesting it to procure Great Captain to dispose of such number of the SJB Shares held by it at their prevailing market price either through the Stock Exchange or to such other independent third party as shall be acceptable to the Vendor and apply such net sale proceeds arising from such disposal for the sole purpose of repaying the then outstanding Sale Loan and/or the Bank Loan or any part thereof.

The Vendor may or may not comply with such request of the Purchaser in full at its sole discretion and may procure Great Captain to sell a lesser number of the SJB Shares than that designated by the Purchaser.

Information on Great Captain

Great Captain is an investment holding company incorporated in the BVI and an indirect wholly-owned subsidiary of the Company. The principal asset of Great Captain is its interest in 577,180,500 SJB Shares. The 577,180,500 SJB Shares held represent approximately 9.96% of the total issued share capital of Shengjing Bank as at 28 February 2017.

A summary of the unaudited results of Great Captain for each of the two years ended 31 December 2015 and 2016 prepared in accordance with HKFRSs is set out below:–

	For the year ended 31 December 2015	For the year ended 31 December 2016
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
(Loss) profit before tax	(7)	190,889
(Loss) profit after tax	(7)	171,772

As at 31 December 2016, the unaudited net liability of Great Captain was approximately HK\$2,194.7 million and the amount of the Sale Loan was approximately HK\$6,466.0 million.

Information on Shengjing Bank

Shengjing Bank is a joint stock company and a commercial bank established in the PRC and is principally engaged in corporate banking, retail banking and treasury businesses. The SJB Shares are listed on the main board of the Stock Exchange.

According to the published consolidated financial statements of Shengjing Bank, the audited consolidated financial results of Shengjing Bank for each of the two years ended 31 December 2014 and 2015 are as follows:

	For the year ended 31 December 2014 <i>(RMB'000)</i>	For the year ended 31 December 2015 <i>(RMB'000)</i>
Profit before tax	7,061,063	8,126,617
Profit after tax	5,423,838	6,223,827

The unaudited consolidated net asset value of Shengjing Bank as at 30 June 2016 was approximately RMB43,397.7 million.

Effect of the Disposal Transaction

Following the Disposal Completion, Great Captain 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.

Principal asset of Great Captain is the 577,180,500 SJB Shares held which is recorded as financial assets measured at FVTOCI in the consolidated financial statements of the Group. Pursuant to the accounting policies of the Group, the SJB Shares (being equity investment measured at FVTOCI) are measured at fair value in the consolidated financial statements of the Group. Gains and losses arising from changes in the fair values of the SJB Shares are included in financial assets measured at FVTOCI reserve for the period in which they arise. The Group made an irrevocable election at inception to present changes in the fair value of the SJB Shares in other comprehensive income not recycling.

It is expected that the Group will record a gain of approximately HK\$2,240.5 million in the total comprehensive income of the consolidated statement of comprehensive income on completion of the Disposal Agreement. Such gain is assuming no Partial Completion is to be made and estimated based on the financial information of the Group as at 31 December 2016. However, the estimated transaction costs of the disposal of Great Captain would be approximately HK\$3.0 million. The actual gain on completion of the Disposal Agreement might be different given that the above estimate is based on the financial information of the Group as at 31 December 2016 which might be different from those on the Completion Date.

As aforementioned, following the Disposal Completion, Great Captain 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 that the effect on earnings will approximate to the net dividend income, which will be no longer be contributed to the Group after completion of the Disposal Agreement. Great Captain had outstanding Bank Loan of HK\$288.4 million as at 31 December 2016. The Bank Loan may or may not be fully repaid prior to completion of the Disposal Agreement. In any event, the level of borrowings of the Group shall be reduced after completion of the Disposal Agreement.

INFORMATION OF THE GROUP AND THE VENDOR

The Group is principally engaged in the business of 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 is a direct wholly-owned subsidiary of the Company.

INFORMATION OF THE PURCHASER

The Purchaser is an investment holding company incorporated in the BVI and is wholly owned and used by Ms. Chan, Hoi-wan for the purpose of holding the assets to be acquired under the Disposal Agreement.

REASONS FOR AND BENEFITS OF THE DISPOSAL TRANSACTION

In May 2016, the Group acquired 577,180,500 SJB Shares at a consideration of approximately HK\$6,926.2 million included in financial assets measured at FVTOCI. The purchase price of each SJB Share of HK\$12.0 (the “**Purchase Cost**”) was roughly equivalent to the then market price of the SJB Shares, which had been rising moderately. During the year ended 31 December 2016, a net dividend income of approximately HK\$170.5 million (being the difference between the after-expenses dividend income of approximately HK\$189.6 million and the withholding tax of approximately HK\$19.1 million) was recognised in the consolidated statement of comprehensive income of the Group. Nevertheless, due to the plummet in market price of the SJB Shares, an unrealised loss on fair value change, which is a non-cash item and will not affect the cash flow of the Group, of approximately HK\$2,366.5 million was recorded as an other comprehensive expense, and the carrying amount of listed equity investment (i.e. the SJB Shares held by the Group) categorised as financial assets measured at FVTOCI as at 31 December 2016 was approximately HK\$4,559.7 million.

As aforementioned, the market price of the SJB Shares was approximately HK\$12.0 in May 2016, when the Group proceeded with the acquisition. Thereafter, the movement of the share price of Shengjing Bank has experienced an overall persistent decreasing trend. As at the last trading day before the date of this announcement, the closing price of each SJB Share on the Stock Exchange was HK\$7.26, representing a discount of approximately 39.5% as compared to the Purchase Cost. The Group believes that the plummet in market price of the SJB Shares since the acquisition was, among other things, because of the slowdown in the PRC economic growth as well as the challenging environment on risk management in the PRC banking industry. The PRC banking industry may face challenges as a result of the reduction of local enterprises’ debt burdens. With reference to a research report published by Moody’s Investors Service, a renowned provider of credit ratings, research, and risk analysis, in December 2016, PRC banks’ performance may also be hindered by factors such as weaker demand for corporate loans, slower economic growth and increase in corporate sector restructuring and deleveraging.

Based on the above, the Group considers that the Disposal Transaction, which in substance allows the Group to realise its investment in the SJB Shares at the Purchase Cost, presents a timely opportunity for the Group to reconsolidate its existing investment portfolio and reassess the corresponding risk exposure.

The Board (excluding the independent non-executive Directors whose view will be provided after taking into account the opinion and advice from the independent financial adviser to be appointed by the Company) 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 of the Group and in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

Assuming no Partial Completion is to be made and determination of the Consideration is based on financial information as at 31 December 2016, it is estimated that the net sale proceeds arising from the Disposal Transaction would amount to approximately HK\$6,508.8 million after deducting the transaction costs related to the Disposal Transaction of approximately HK\$3.0 million.

Subject to the then business, financial and cashflow position of the Group at Disposal Completion and assuming that the Disposal Transaction would be approved by the Independent Shareholders at the SGM, it is currently intended that the majority part of the net sale proceeds which may be generated from the Disposal Transaction may be used to pay the Special Dividend to the Shareholders on or after the date of the Disposal Completion in one or more phases, and as general working capital of the Group.

The Board will take into account the then business, financial and cashflow position of the Group at that point in time and the progress of the development of the Disposal Transaction before any Special Dividend is proposed and declared. In the event that the Group decides not to pay any Special Dividend, the net sale proceeds will be applied for general working capital purposes. Further announcement will be made by the Company in this regard as and when appropriate.

LISTING RULES IMPLICATION FOR THE DISPOSAL TRANSACTION

As the Disposal Agreement was entered into within 12 months after the completion of the Previous Disposal Agreements respectively, and all such agreements were entered into by the Company with the same connected person and/or her associates, the Disposal Transaction and the Previous Transactions are required to be aggregated pursuant to Rule 14.22 and Rule 14A.81 of the Listing Rules. As the applicable percentage ratios under Chapter 14 of the Listing Rules in respect of the Disposal Transaction (when aggregated with the Previous Transactions) exceed 25% but are less than 75%, the Disposal Transaction constitutes a major transaction for the Company and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As Ms. Chan, Hoi-wan, an executive Director and a substantial Shareholder who (as trustee for her two minor children) indirectly holds approximately 50.02% of the total issued share capital of the Company as at the date of this announcement, is a director and the sole beneficial owner of the Purchaser, Ms. Chan, Hoi-wan and the Purchaser are connected persons of the Company. Accordingly, the Disposal Transaction also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Further, pursuant to the Stock Exchange Undertaking, the Company has undertaken to the Stock Exchange that it will not enter into Specified Transaction with a Related Party which is for a consideration or in respect of a principal amount which, when aggregated with the consideration or principal amount of any other Specified Transaction(s) between the Company or any of its subsidiaries and any Related Party carried into effect during the previous 12 months, exceed HK\$200 million, unless the approval of the Shareholders at a general meeting of the Company at which the Related Party will abstain from voting is obtained. As Ms. Chan, Hoi-wan is an executive Director and a substantial Shareholder and is a director and the sole beneficial owner of the Purchaser, each of Ms. Chan, Hoi-wan and the Purchaser is a Related Party for the purpose of the Stock Exchange Undertaking. The Disposal Transaction will therefore constitute a Specified Transaction and will be subject to approval by the Shareholders at a general meeting of the Company at which any Shareholder who is a Related Party will abstain from voting.

At the SGM to be convened to approve the Disposal Agreement and the Disposal Transaction, Ms. Chan, Hoi-wan and her associates (if they hold any Shares) will abstain from voting on the resolution(s) to be proposed to approve the Disposal Agreement and the Disposal Transaction. Any vote exercised by the Independent Shareholders at the SGM shall be taken by poll.

GENERAL

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the terms of the Disposal Agreement and the Disposal Transaction.

An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Disposal Agreement and the Disposal Transaction.

A circular containing, among others, (i) details of the Disposal Agreement and the Disposal Transaction; (ii) the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; (iii) the recommendation from the Independent Board Committee to the Independent Shareholders; and (iv) the notice of SGM is expected to be despatched to the Shareholders on or before 6 April 2017.

Shareholders and potential investors of the Company should note that completion of the Disposal Agreement (including any Partial Completion) is subject to the satisfaction of the Condition Precedent, namely, the obtaining of the approval of the Independent Shareholders at the SGM in respect of the Disposal Agreement and the Disposal Transaction. Therefore, the Disposal Transaction may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the 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, unless the context otherwise requires, the following terms have the meanings set out below:–

“Acquisition Date”	9 May 2016, being the date of completion of the acquisition of the 577,180,500 SJB Shares by Great Captain;
“associate(s)”	has the meaning ascribed to it in the Listing Rules;
“Bank Loan”	the outstanding bank loan, interest and all other sums owed by Great Captain pursuant to the facility letter dated 27 July 2016 in relation to the grant of a loan facility up to the lower of HK\$1,552 million or 45% of the current market value of the Assigned Shares (as defined therein) by Deutsche Bank AG, Singapore Branch to Great Captain (as amended, varied or supplemented) or if such bank loan is repaid but its repayment is refinanced by a new bank loan obtained by Great Captain prior to or upon Completion or Final Completion (as the case may be), the outstanding bank loan, interest and all other sums owed by Great Captain pursuant to such new bank loan;
“Bank Loan Document(s)”	the loan and security documents executed in respect of the Bank Loan;
“Board”	the board of Directors;
“Business Day(s)”	a day (other than a Saturday or a Sunday) on which banks are generally open for business in Hong Kong;
“BVI”	the British Virgin Islands;
“CE Guarantee”	any guarantee, surety, security or indemnity given by any member of the Group (excluding Great Captain) in respect of the obligations or liabilities of Great Captain;
“Century Frontier”	Century Frontier Limited, a company incorporated in the BVI with limited liability and a Shareholder and a company wholly and beneficially owned by Mr. Lau, Ming-wai (an associate of Ms. Chan, Hoi-wan);
“Company”	Chinese Estates Holdings Limited (Stock Code: 127), a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange;

“Completion”	where no notice of any Partial Completion has been given by the Purchaser, completion of the sale and purchase of all the Sale Shares and the Sale Loan in one go;
“Completion Date”	where no notice of any Partial Completion has been given by the Purchaser, any Business Day falling between the date of fulfillment of the Condition Precedent and 31 December 2017 (both days inclusive) as shall be agreed between the Vendor and the Purchaser for the purpose of Completion, or failing agreement, 29 December 2017;
“Condition Precedent”	the condition precedent to the completion of the Disposal Agreement (including any Partial Completion) as set out in the paragraph headed “Condition Precedent” in the section headed “The Disposal Agreement” of this announcement;
“connected person(s)”	has the meaning ascribed to it in the Listing Rules;
“Consideration”	the consideration payable by the Purchaser at Completion for the sale and purchase of the Sale Shares and the Sale Loan pursuant to the Disposal Agreement;
“Deposits”	the aggregate amounts equivalent to (i) the Special Dividend receivable by Century Frontier, Solar Bright and JLLHIL, or their respective nominee(s) or custodian(s), as Shareholders; and (ii) any additional deposits of any amount on top of the aforesaid Special Dividend which the Purchaser shall be entitled to pay to the Vendor prior to Completion or Final Completion (as the case may be) pursuant to the Disposal Agreement;
“Director(s)”	director(s) of the Company;
“Disposal Agreement”	the sale and purchase agreement dated 15 March 2017 entered into among the Vendor, the Company, the Purchaser and Ms. Chan, Hoi-wan relating to the sale and purchase of the Sale Shares and the Sale Loan;
“Disposal Completion”	Completion or Final Completion, as the case may be;
“Disposal Transaction”	the transactions contemplated under the Disposal Agreement;
“Dividend Entitlements”	the entitlements to the Special Dividend of certain Shareholders who have executed and delivered to the Vendor and the Company the Letter of Payment Direction;

“Encumbrances”	any interest or equity of any person (including, without limitation, any right to acquire, option or right of pre-emption) and any charge, mortgage, security interest, pledge, lien (including retention of title claims), assignment, power of sale or hypothecation and any rental, hire purchase, creditor, conditional sale or other third party right or restriction or encumbrance of any nature whatsoever (whether or not perfected);
“Final Completion”	the last Partial Completion;
“Final Completion Date”	the date on which the Final Completion shall take place, being any Business Day on or before 31 December 2017 or such later date as may be agreed between the Vendor and the Purchaser, or failing agreement, 29 December 2017;
“Final Consideration”	the consideration payable by the Purchaser at Final Completion for the sale and purchase of the Final Sale Shares and the Final Sale Loan pursuant to the Disposal Agreement;
“Final Sale Loan”	such amount of the Sale Loan to be assigned under the Final Completion;
“Final Sale Shares”	such number of the Sale Shares to be sold under the Final Completion;
“FVTOCI”	fair value through other comprehensive income, being one of the three primary measurement categories for financial assets under the HKFRS 9 (2014);
“Great Captain”	Great Captain Limited, a company incorporated in the BVI with limited liability and an indirect wholly owned subsidiary of the Company as at the date of this announcement;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, 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;

“Independent Board Committee”	the Board committee comprising all independent non-executive Directors, namely Mr. Chan, Kwok-wai, Ms. Phillis Loh, Lai-ping and Mr. Ma, Tsz-chun, which has been established by the Board for the purpose of advising the Independent Shareholders in relation to the Disposal Agreement and the Disposal Transaction;
“Independent Shareholders”	Shareholders other than (a) Shareholders who have a material interest in the Disposal Transaction (including Ms. Chan, Hoi-wan and her associate(s) (if they hold any Shares) in respect of the Disposal Transaction) and (b) Shareholders who are Related Parties pursuant to the Stock Exchange Undertaking;
“Initial Investment Costs”	HK\$6,926,166,000, representing the total consideration paid by, together with the related transaction costs incurred by, Great Captain for the acquisition of the 577,180,500 SJB Shares;
“JLLHIL”	Joseph Lau Luen Hung Investments Limited, a company incorporated in the BVI with limited liability and a Shareholder and an associate of Ms. Chan, Hoi-wan;
“Letter of Payment Direction”	a letter of payment direction regarding the Dividend Entitlements by certain Shareholders;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	31 July 2017 or such other date as may be agreed between the Vendor and the Purchaser;
“Net Investment Amount”	with respect to any Reference Date, the Initial Investment Costs LESS: <ul style="list-style-type: none"> (i) the total amount of dividends income or distributions (net of any withholding tax and any related transaction costs) which have so far, from the Acquisition Date up to and inclusive of the Reference Date, been received by Great Captain arising from its holding of the SJB Shares; (ii) the aggregate amount of all those sale proceeds (net of any related transaction costs) arising from Great Captain’s disposals of its SJB Shares effected at the request of the Purchaser which have, up to and inclusive of the Reference Date, been applied to repay the Sale Loan and/or the Bank Loan or any part thereof in accordance with the Disposal Agreement; and

- (iii) if applicable, the cumulative amount of all Partial Consideration paid by the Purchaser up to and inclusive of the Reference Date;

“Partial Completion” completion of the sale and purchase of Partial Sale Shares and Partial Sale Loan as may be notified by the Purchaser to the Vendor in accordance with the terms of the Disposal Agreement;

“Partial Consideration” the consideration payable by the Purchaser at any Partial Completion for the sale and purchase of the Partial Sale Shares and the Partial Sale Loan pursuant to the Disposal Agreement;

“Partial Sale Loan” in respect of any Partial Completion, such amount of the Sale Loan to be assigned under such Partial Completion;

“Partial Sale Shares” in respect of any Partial Completion, such number of the Sale Shares to be sold under such Partial Completion;

“PRC” the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;

“Previous Disposal Agreements” collectively,

- (i) the sale and purchase agreement dated 23 December 2015 entered into among Good Top Limited, the Company, Best Range Limited and Mr. Joseph Lau, Luen-hung relating to, among others, disposal of the entire issued share capital of Jumbo Grace Limited;
- (ii) the sale and purchase agreement dated 23 December 2015 entered into among the Vendor, the Company, Magic Square Limited and Mr. Joseph Lau, Luen-hung relating to, among others, disposal of the entire issued share capital of Keep Speed Company Limited;
- (iii) the sale and purchase agreement dated 5 December 2016 entered into among New Silver Limited, the Company, Strong Point Ventures Limited and Mr. Lau, Ming-wai relating to, among others, the disposal of the entire issued share capital of Pinecrest International Limited; and

- (iv) the sale and purchase agreement dated 5 December 2016 entered into among Paul Y. Holdings Company Limited, the Company, Creative Dragon Ventures Limited and Ms. Chan, Hoi-wan relating to, among others, the disposal of the entire issued share capital of Win Kings Holding Ltd.;

“Previous Transactions”	the transactions contemplated under the Previous Disposal Agreements;
“Purchaser”	Perfect Sign Investments Limited, a company incorporated in the BVI with limited liability which is wholly and beneficially owned by Ms. Chan, Hoi-wan;
“Reference Date”	the date fixed for the purpose of calculating the Net Investment Amount;
“Related Party”	for the purpose of the Stock Exchange Undertaking, a director, a substantial shareholder, a subsidiary or an associated company of the Company (other than a wholly-owned subsidiary of the Company) or an associate of any such person, save that any associated company of the Company which was formed with other independent third parties who is/are not connected person(s) of the Company as a joint venture consortium to engage in real property development projects will not be regarded as a Related Party pursuant to the Stock Exchange Undertaking;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Loan”	all sums due, owing or payable by Great Captain to other members of the Group as at the Completion Date;
“Sale Shares”	the 100 shares in Great Captain beneficially owned by and registered in the name of the Vendor, representing the entire issued share capital of Great Captain;
“SGM”	a special general meeting of the Company to be convened for the purpose of the Independent Shareholders considering, and if thought fit, approving the Disposal Agreement and the Disposal Transaction;
“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);

“Shengjing Bank”	Shengjing Bank Co., Ltd., a commercial bank established in the PRC, the SJB Shares of which are listed on the main board of the Stock Exchange;
“SJB Shares”	H shares of RMB1.00 each in the issued share capital of Shengjing Bank which are listed on the main board of the Stock Exchange (stock code: 2066);
“Solar Bright”	Solar Bright Ltd., a company incorporated in the BVI with limited liability and a Shareholder and an associate of Ms. Chan, Hoi-wan;
“Special Dividend”	one or more special cash interim dividend(s) proposed to be declared and paid by the Company to the Shareholders in anticipation that completion of the Disposal Agreement (other than Partial Completion) would take place (the amount of each such dividend per Share to be determined by the Board), the record date for which shall fall before the Completion Date or the Final Completion Date (as the case may be);
“Specified Transaction(s)”	<p>for the purpose of the Stock Exchange Undertaking, transaction(s) between the Company or any of its subsidiaries and a Related Party being:–</p> <ul style="list-style-type: none"> (a) any acquisition or disposal of assets by the Company or any of its subsidiaries whether in the ordinary and usual course of business of such company and/or on normal commercial terms or not; (b) an arrangement or agreement whereby the Company or any of its subsidiaries directly or indirectly grants a loan or gives other financial assistance to a Related Party; or (c) an arrangement or agreement whereby the Company or any of its subsidiaries provides security, whether by guarantee or otherwise, for the due discharge of any obligation of a Related Party; <p>which, in any such case, is for a consideration or in respect of a principal amount which, when aggregated with the consideration or principal amount of any other Specified Transaction(s) between the Company or any of its subsidiaries and any Related Party carried into effect during the previous 12 months, exceeds HK\$200 million;</p>
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Stock Exchange Undertaking”

the undertaking provided by the Company to the Stock Exchange dated 20 September 1990 (as supplemented on 8 January 1991 and amended by letter dated 24 September 1996 from the Stock Exchange);

“Vendor”

China Entertainment and Land Investment Company, Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company; and

“%”

per cent.

By order of the Board

Lam, Kwong-wai

Executive Director and Company Secretary

Hong Kong, 15 March 2017

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.

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