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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 decline in the Revenue ranging from 39% to 49% and a substantial decrease in the Profit ranging from 68% to 78% for the Year, as compared with the revenue of HK\$1.5 billion and the consolidated net profit attributable to the owners of the Company of HK\$3.7 billion for the year ended 31 December 2017. In addition, the Group may record a significant expense in the Total Comprehensive Expenses for the Year, as compared with the consolidated total comprehensive income attributable to the owners of the Company of HK\$16.3 billion for the year ended 31 December 2017. Included in the Total Comprehensive Expenses for the Year is the significant other comprehensive expense in respect of unrealised loss on fair value change of the Evergrande Shares of approximately HK\$3.1 billion.

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 made 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 March 2019.

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 a decline in the revenue (the “**Revenue**”) ranging from 39% to 49% and a substantial decrease in the consolidated net profit attributable to the owners of the Company (the “**Profit**”) ranging from 68% to 78% for the year ended 31 December 2018 (the “**Year**”), as compared with the revenue of HK\$1.5 billion and the consolidated net profit attributable to the owners of the Company of HK\$3.7 billion for the year ended 31 December 2017.

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

- (1) Decrease in sales of trading properties. During the Year, sales of trading properties being comprised of a residential unit and parking spaces at 55 Conduit Road (70% interest) recorded approximately HK\$274 million in the Revenue as compared with HK\$990 million for the year of 2017; and have contributed attributable profit (including share of results of associates and dividend income from an investee company) of approximately HK\$183 million as compared with HK\$454 million for the year of 2017.
- (2) Net loss from listed investments and treasury products at fair value through profit or loss. 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 loss of approximately HK\$711 million from the segment of listed investments and treasury products at fair value through profit or loss as compared with that of a net profit of HK\$1.6 billion for the year of 2017. Net (loss) profit from the segment of listed investments and treasury products at fair value through profit or loss 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 net finance costs. The result of a net loss was mainly attributable to, among others, the unrealised loss on fair value changes of bonds of approximately HK\$1.3 billion (2017: unrealised gain of HK\$600 million) and the realised loss on disposals of bonds of approximately HK\$20 million (2017: realised gain of HK\$227 million) for the Year. The unrealised fair value change is a non-cash item and will not affect the cash flow of the Group.
- (3) Increase in dividend income from listed equity investments at fair value through other comprehensive income. During the Year, a net dividend income of approximately HK\$1.1 billion (after transaction costs) from the shares of China Evergrande Group (Stock Code: 3333) held by the Group (the “**Evergrande Shares**”) (2017: 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**”) was recognised in profit/loss within the consolidated statement of comprehensive income. The segment of listed equity investments at fair value through other comprehensive income recorded a net profit of approximately HK\$992 million (2017: HK\$62 million) for the Year.
- (4) No imputed interest income from deferred consideration receivables was recognised during the Year as compared with HK\$773 million recorded in the year of 2017.
- (5) No gain on disposal of subsidiary during the Year. During the year of 2017, the Group disposed of subsidiaries holding certain shops of Lowu Commercial Plaza located in Shenzhen, the People’s Republic of China and subsidiaries holding a property development situated at No. 12 Shiu Fai Terrace, Mid-Levels East, Hong Kong (both were completed in February 2017) and recognised gain on disposals of subsidiaries in aggregate of HK\$143 million.

- (6) Decrease in gain on fair value changes on investment properties. The Group's investment properties were revalued as at 31 December 2018 and gain on fair value changes of approximately HK\$122 million (2017: HK\$565 million) would be recorded for the Year as compared with the fair value as at 31 December 2017. The fair value change is a non-cash item and will not affect the cash flow of the Group.

In addition to the decline in the Revenue and a substantial decrease in the Profit which constitute profit warning and inside information of this announcement, the Group may record a significant expense in the consolidated total comprehensive expenses attributable to the owners of the Company (the "**Total Comprehensive Expenses**") for the Year, as compared with the consolidated total comprehensive income attributable to the owners of the Company of HK\$16.3 billion for the year ended 31 December 2017. Reference is made to the Company's announcement dated 3 January 2019, it is expected that the Group would record a significant other comprehensive expense attributable to the owners of the Company for the Year which represented unrealised loss on fair value change of the Evergrande Shares of approximately HK\$3.1 billion (2017: unrealised gain on fair value change of the Evergrande Shares and realised gain on fair value change from disposal of the SJB Shares of HK\$9.9 billion and HK\$2.1 billion respectively). The unrealised 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 final results for the Year. The information contained in this announcement is only based on a preliminary assessment made 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 March 2019.

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, 20 February 2019

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>