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 an increase in the Revenue ranging from 127% to 137% and a decrease in the Profit ranging from 20% to 30% for the Year, as compared with the revenue of HK$1,310 million (as reclassified) and the consolidated net profit attributable to owners of the Company of HK$790 million for the year ended 31 December 2019. In addition, the Group may record an expense in the Other Comprehensive Expenses in respect of unrealised loss on fair value change of the Evergrande Shares of approximately HK$5.8 billion for the Year.

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, nor reviewed by the audit committee, 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 2021.

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 127% to 137% and a decrease in the consolidated net profit attributable to owners of the Company (the "**Profit**") ranging from 20% to 30% for the year ended 31 December 2020 (the "**Year**"), as compared with the revenue of HK$1,310 million (as reclassified) and the consolidated net profit attributable to owners of the Company of HK$790 million for the year ended 31 December 2019.

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

(1) Increase in the Revenue and the Profit derived from dividend income from listed and unlisted equity investments. During the Year, the Group recorded dividend income of approximately HK$2.0 billion (2019: nil) from the shares of China Evergrande Group (stock code: 3333) ("**China Evergrande**") (the "**Evergrande Shares**") held by the Group that was recorded in the Revenue.

(2) Decrease in net profit from investments and treasury products at fair value through profit or loss ("**FVTPL**"). The Group has in the ordinary and usual 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$132 million from the segment of investments and treasury products at FVTPL as compared with HK$1.8 billion in 2019. Net profit (loss) from the segment of investments and treasury products at FVTPL includes realised gain (loss) on disposals; unrealised gain (loss) on changes in fair values; and net income from interest income, net dividend income, other investment income (expenses) and net finance costs. The result of the decrease in net profit was mainly attributable to, among others, the unrealised gain on fair value changes of bonds, structured products and investments held-for-trading of minimal amount (2019: HK$1.0 billion) and realised loss on disposals of bonds, structured products and investments held-for-trading of approximately HK$411 million (2019: realised gain of HK$184 million) for the Year. Due to the recent market volatility and changes in the market sentiments of the pandemic, the market price of securities investment during the Year was in general lower than the beginning of the Year. The unrealised fair value change is a non-cash item and will not affect the cash flow of the Group.

(3) Loss on fair value changes on investment properties. The Group's investment properties were revalued as at 31 December 2020 and loss on fair value changes of approximately HK$1.5 billion (2019: HK$743 million) would be recorded for the Year as compared with the fair value as at 31 December 2019. The loss on fair value changes for the Year was mainly derived from the decrease in fair value of investment properties located in Hong Kong and the United Kingdom. The spreading of COVID-19 pandemic has adversely affected the fair value of investment properties of the Group. The fair value change is a non-cash item and will not affect the cash flow of the Group.

(4) Share of results of investments accounted for using the equity method turning from profit to loss. During the Year, the Group recorded share of loss from investments accounted for using the equity method of approximately HK$38 million (2019: profit of HK$210 million), which was mainly due to (a) loss on fair value changes investment properties held by associates and (b) share of loss from Hilton Beijing (50% interest) as business was severely affected by COVID-19 pandemic.

(5) Decrease in rental revenue and net rental income whilst increase in other income. Following an anchor tenant of an investment property in the United Kingdom surrendered the lease during the Year, the rental revenue and net rental income decreased from HK$523 million to approximately HK$373 million and from HK$506 million to approximately HK$286 million respectively. During the Year, the Group also recorded other income of surrender premium and dilapidations settlement received from tenants in respect of properties in the United Kingdom of approximately HK$250 million (2019: HK$2 million).

(6) No impairment loss of goodwill during the Year. During the year ended 31 December 2019, the Group recognised a full impairment loss of goodwill of HK$323 million attributable to the cash-generating unit operated in the United Kingdom, which included an investment property in the United Kingdom. Recognition of impairment loss is a non-cash item and will not affect the cash flow of the Group.

The decrease in the Profit constitutes profit warning and inside information of this announcement, nevertheless there is increase in the Revenue. In addition, the Group may record an expense in the consolidated other comprehensive expenses (the "**Other Comprehensive Expenses**") for the Year. Reference is made to the Company's announcement dated 6 January 2021, it is expected that the Group would record an other comprehensive expense for the Year which represented unrealised loss on fair value change of the Evergrande Shares of approximately HK$5.8 billion (2019: HK$1.6 billion). The Group believes that the decrease in share price of China Evergrande for the Year, among others, was owing to the unstable business environment in the People's Republic of China and overwhelming uncertainties surrounding the epidemic. 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, nor reviewed by the audit committee, 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 2021.

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, 24 February 2021

As at the date of this announcement, the Board comprised 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