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CHINESE ESTATES HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 127)

MAJOR TRANSACTION
FORMATION OF JOINT VENTURE AND
SUCCESSFUL TENDER OF LAND BY JOINT VENTURE

SUCCESSFUL TENDER OF LAND BY JOINT VENTURE

The Board is pleased to announce that on 13 September 2023, the Tenderer received the Acceptance Letter from the Lands Department confirming that its tender for the Land situated at Kai Tak Area 2A Site 2 and Site 3, Kai Tak, Kowloon, Hong Kong at the Land Premium of HK\$5,350 million has been accepted.

FORMATION OF JOINT VENTURE

The Tenderer was incorporated pursuant to the terms of the JV MOA solely for the Acquisition and the development of the Land, and is wholly owned by the JV, which is ultimately held by the Company, Sino Land, China Overseas and Great Eagle as to 10%, 50%, 20% and 20%, respectively. Pursuant to the JV MOA, tender commitments shall be contributed by the JV Partners on a pro rata basis according to their shareholding in the JV. The Group's capital commitment for the Transactions is estimated to be HK\$1,050 million, comprising 10% of the Land Premium and 10% of the estimated construction cost for the development of the Land.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Transactions exceeds 25% but all of the applicable percentage ratios are less than 100%, the Transactions constitutes a major transaction of the Company.

The Transactions is regarded as a Qualified Property Acquisition (as defined in Rule 14.04(10C) of the Listing Rules), and is subject to reporting, announcement and circular requirements but is exempt from (i) the shareholders' approval requirement pursuant to Rule 14.33A of the Listing Rules; and (ii) the requirement to include a valuation report in the circular pursuant to Rule 14.33B of the Listing Rules.

A circular containing, among other things, (i) further details of the Transactions; and (ii) financial information of the Group, is expected to be despatched to the Shareholders within 15 business days after publication of this announcement, that is, on or before 6 October 2023. In case the Company is not able to despatch the circular within such period due to the time required to prepare the relevant financial and other information to be included in the circular under the Listing Rules, the Company will apply to the Stock Exchange for a waiver under the Listing Rules (if required) and will make a further announcement of the expected despatch date of the circular in due course.

INTRODUCTION

The Board is pleased to announce that on 13 September 2023, the Tenderer received the Acceptance Letter from the Lands Department confirming that its tender for the Land situated at Kai Tak Area 2A Site 2 and Site 3, Kai Tak, Kowloon, Hong Kong at the Land Premium of HK\$5,350 million has been accepted.

SUCCESSFUL TENDER OF THE LAND BY THE JOINT VENTURE

Parties

- (1) The Government of Hong Kong as vendor; and
- (2) The Tenderer as purchaser.

The Tenderer is wholly owned by the JV and the JV is ultimately held by the Company, Sino Land, China Overseas and Great Eagle, as to 10%, 50%, 20% and 20%, respectively. For further details of the Tenderer, the JV and the JV MOA, please refer to the section headed “Formation of the Joint Venture” in this announcement.

To the best of the knowledge, information and belief of the Directors, the Government of Hong Kong is a third party independent of the Company and its connected person.

Information of the Land

Location:	New Kowloon Inland Lot No. 6590, located at Kai Tak Area 2A Site 2 and Site 3, Kai Tak, Kowloon, Hong Kong
Site Area:	Approximately 13,499 sq. m.
Maximum gross floor area:	Approximately 92,185 sq. m.
Permitted use:	Non-industrial (excluding godown, hotel and petrol filling station) purposes

The Land comprises the development site located at New Kowloon Inland Lot No. 6590, Kai Tak Area 2A Site 2 and Site 3, Kai Tak, Kowloon, Hong Kong and will have direct access to Sung Wong Toi Station via the future underground shopping street.

Land Premium

The Land Premium payable is HK\$5,350 million. A deposit of HK\$50 million has been paid by the Tenderer and applied in part payment of the Land Premium. The remaining balance of the Land Premium shall be settled by the Tenderer in accordance with the payment schedule prescribed in the tender documents.

The Land Premium, being the bidding price submitted by the Tenderer under the Tender, was determined by the JV Partners on arm’s length basis, taking into account various factors including development prospects and the potential of the Land and the overall prospect of the property market in Hong Kong.

FORMATION OF THE JOINT VENTURE

Pursuant to the terms of the JV MOA, the JV Partners have agreed to set up the JV and the Tenderer solely for the Transactions.

Parties to the JV MOA

- (1) The Company;
- (2) Sino Land;
- (3) China Overseas; and
- (4) Great Eagle.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, each of Sino Land, China Overseas and Great Eagle and their respective ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Purpose of the JV and the Tenderer

The JV and the Tenderer shall be single purpose vehicles for the purposes of the Acquisition and the development of the Land and shall operate in a manner consistent with the purposes specified in the Tender/land grant documents in relation to the Land. The Tenderer shall develop the Land into a residential and retail development together with government accommodation in compliance with the Conditions of Sale with disposal of the residential units erected thereon as the prime objective.

Capital commitment and project financing

The Land Premium shall be contributed by the JV Partners according to their shareholding proportion in the JV. The Tenderer shall bear all the development cost of the Land which shall be met by loans from banks or financial institutions and on terms to be agreed by all the JV Partners, and to the extent any funding requirements cannot be met by external loans, they shall be met by shareholders' loans to be provided by the JV Partners on pro-rata basis in proportion to their shareholding in the JV with interest rate to be agreed by all the JV Partners, and the JV shall in turn provide the funding to the Tenderer by way of shareholder's loan. In the event that any guarantees or securities shall be required by banks or financial institutions, the JV Partners shall provide the same on a several and pro rata basis in proportion to their shareholding in the JV.

The Group's capital commitment for the Transactions is estimated to be HK\$1,050 million, comprising 10% of the Land Premium and 10% of the estimated construction cost for the development of the Land, which is expected to be financed by the Group's internal resources and/or bank borrowings.

The amount of capital commitment of the JV Partners was determined after arm's length negotiation between the JV Partners with reference to, among other factors, the Land Premium and the JV Partners' respective shareholdings in the JV.

Management of the Tenderer

The board of directors of each of the JV and the Tenderer shall consist of ten directors. Sino Land shall be entitled to appoint five directors, each of China Overseas and Great Eagle shall be entitled to appoint two directors, and the Company shall be entitled to appoint one director.

Profit sharing policy

The JV Partners shall be entitled to share the profits distributed by the JV and the Tenderer in proportion to their respective shareholding interest in the JV.

Reserved matters

According to the JV MOA, neither the JV nor the Tenderer may, without the unanimous consent of all of the JV Partners, decide and conduct various major decisions and actions, which shall include: (i) changing the nature or scope of its business, and if there are changes then they must still be consistent with the scope or purpose specified in the Tender documents in relation to the Acquisition; or (ii) entering into any transactions which are not on an arm's length basis.

All the JV Partners should enter into a formal joint venture agreement which shall be substantially based on the commercial rationale reflected in the JV MOA.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

Property investment and development is among the principal activities of the Group. The joint venture arrangement under the JV MOA and the development of the Land are in line with the ordinary and usual course of business and strategic investment for the Group. The terms of the JV MOA have been arrived at after arm's length negotiations among the JV Partners. The Board confirms that the Transactions (including the terms of the Conditions of Sale and the Memorandum of Agreement as set out in the Tender documents) and the JV MOA were entered into in the ordinary and usual course of business of the Group and that the principal terms of the JV MOA (including the joint venture arrangement, and financing, management and profit distribution arrangements contemplated thereunder) are and will be on normal commercial terms, fair and reasonable and in the interest of the Company and its shareholders as a whole.

INFORMATION OF THE JV, THE TENDERER, THE GROUP AND THE JV PARTNERS

The JV is a company incorporated in Hong Kong with limited liability, and is the holding company of the Tenderer and is ultimately held by the Company, Sino Land, China Overseas and Great Eagle as to 10%, 50%, 20% and 20%, respectively, according to the JV MOA.

The Tenderer is a company incorporated in Hong Kong with limited liability, which is wholly owned by the JV.

The Company is an investment holding company and its subsidiaries' principal activities are property investment and development, building and property management, brokerage, securities investment, money lending and cosmetics distribution and trading.

Sino Land is a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 83). The principal activities of Sino Land and its subsidiaries include property development and investment, investment in securities, financing, hotel and building management and services.

China Overseas is a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 688). The principal activities of China Overseas and its subsidiaries include property development and investment, and other operations.

Great Eagle is a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 41). The principal activities of Great Eagle and its subsidiaries include investment holding, property development and investment, operations of hotel, restaurant and flexible workspace, asset management, project management, trading of building materials, securities investment, provision of property management, maintenance and property agency services and property leasing.

LISTING RULES IMPLICATION

As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Transactions exceeds 25% but all of the applicable percentage ratios are less than 100%, the Transactions constitutes a major transaction of the Company.

The Transactions is regarded as a Qualified Property Acquisition (as defined in Rule 14.04(10C) of the Listing Rules). The Board has confirmed that the Transactions are conducted in the Group's ordinary and usual course of business, and that the Transactions (including the terms of the Conditions of Sale and the Memorandum of Agreement contained in the Tender documents) and the JV MOA (including the joint venture arrangement, and financing, management and profit distribution arrangements contemplated thereunder), are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Transactions is subject to reporting, announcement and circular requirements but is exempt from (i) the shareholders' approval requirement pursuant to Rule 14.33A of the Listing Rules; and (ii) the requirement to include a valuation report in the circular pursuant to Rule 14.33B of the Listing Rules.

A circular containing, among other things, (i) further details of the Transactions; and (ii) financial information of the Group, is expected to be despatched to the Shareholders within 15 business days after publication of this announcement, that is, on or before 6 October 2023. In case the Company is not able to despatch the circular within such period due to the time required to prepare the relevant financial and other information to be included in the circular under the Listing Rules, the Company will apply to the Stock Exchange for a waiver under the Listing Rules (if required) and will make a further announcement of the expected despatch date of the circular in due course.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the meanings set out below:-

“Acceptance Letter”	the letter of acceptance dated 13 September 2023 issued by the Lands Department to the Tenderer confirming the acceptance of the Tender submitted by the Tenderer;
“Acquisition”	the acquisition of the Land under the terms of the Conditions of Sale;
“Board”	the board of Directors;
“China Overseas”	China Overseas Land and Investment Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 688);
“Company”	Chinese Estates Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 127);
“Conditions of Sale”	the form of agreement and conditions of sale of the Land as set out in the Tender documents;
“Director(s)”	director(s) of the Company;

“Great Eagle”	Great Eagle Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 41);
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“JV”	Fansway Limited, a company incorporated in Hong Kong with limited liability, which is ultimately held by the Company, Sino Land, China Overseas and Great Eagle, as to 10%, 50%, 20% and 20%, respectively;
“JV MOA”	the memorandum of agreement dated 11 September 2023 entered into between the Company, Sino Land, China Overseas and Great Eagle in relation to the formation of the JV and the Tenderer for the Acquisition and the development of the Land;
“JV Partners”	the joint venture partners, namely, Sino Land, China Overseas, Great Eagle and the Company, being parties to the JV MOA;
“Land”	a piece of land known as New Kowloon Inland Lot No. 6590, situated at Kai Tak Area 2A Site 2 and Site 3, Kai Tak, Kowloon, Hong Kong;
“Land Premium”	the land premium of HK\$5,350 million, being the bidding price submitted by the Tenderer under the Tender and the consideration of the Acquisition;
“Lands Department”	the Lands Department of the Government of Hong Kong;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Memorandum of Agreement”	the form of the memorandum of agreement to be entered into between the Government of Hong Kong and the Tenderer in respect of the Acquisition as set out in the Tender documents;
“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);
“Sino Land”	Sino Land Company Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 83);
“sq. m.”	square metre, unit of area;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning as ascribed thereto under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong);

“Tender”	the sale of the Land by the Government of Hong Kong by way of public tender;
“Tenderer”	Capital Asian Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the JV;
“Transactions”	the Acquisition and the joint venture arrangements for the development of the Land contemplated under the JV MOA; and
“%”	per cent.

By order of the Board
Mak, Kai-ye
Company Secretary

Hong Kong, 14 September 2023

As at the date of this announcement, the Board comprised Ms. Chan, Hoi-wan and Ms. Chan, Lok-wan as Executive Directors, Mr. Lau, Ming-wai and Ms. Amy Lau, Yuk-wai as Non-executive Directors, and Mr. Chan, Kwok-wai, Mr. Leung, Yun-fai, Ms. Phillis Loh, Lai-ping and Mr. Ma, Tsz-chun as Independent Non-executive Directors.

Website: <https://www.chineseestates.com>