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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

The Board announces that on 12 December 2014, Rich Lucky as vendor, the Company as vendor guarantor, Market Victory, as purchaser and Mr. Lau as purchaser guarantor have entered into the Disposal Agreement relating to, among others, the sale and purchase of the entire issued share capital of Asian East.

The Provisional Consideration payable by Market Victory to Rich Lucky upon completion of the Disposal Agreement is (if the Bank Loan has been fully repaid prior to or upon completion of the Disposal Agreement and such repayment is fully or partially financed by additional Sale Loan provided after the date of the Disposal Agreement) approximately HK\$7,781.4 million or (if the Bank Loan is still outstanding upon completion of the Disposal Agreement) approximately HK\$4,657.3 million.

Completion of the Disposal Agreement is conditional upon the Independent Shareholders' Approval having been obtained.

As the Disposal Agreement was entered into within 12 months after the signing of the SP Agreements, and the Disposal Agreement and the SP Agreements were entered into by the Company with the same connected person and his associates, the Disposal Transaction and the SP Transactions will be aggregated pursuant to Rule 14A.81 of the Listing Rules. As one or more of the applicable percentage ratios under Chapter 14 of the Listing Rules for the Disposal Transaction as aggregated with the SP Transactions exceed 25% but are less than 75%, the Disposal Transaction (as aggregated with the SP Transactions) constitutes a major transaction for the Company and the Disposal Transaction is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As Mr. Lau, being a substantial Shareholder and a controlling Shareholder, who was interested in 1,430,700,768 Shares, representing approximately 74.99% of the total issued Shares as at the date of this announcement, is the sole director and the sole beneficial owner of Market Victory, Mr. Lau and Market Victory are connected persons of the

Company. Accordingly, the Disposal Transaction constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules, and is subject to the reporting, announcement and Independent Shareholders' Approval requirements pursuant to 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 in respect of the Disposal Agreement and the Disposal Transaction, (iv) the valuation report on the Properties and (v) the notice of SGM is expected to be despatched to the Shareholders on or before 7 January 2015.

Shareholders and potential investors of the Company should note that completion of the Disposal Agreement is subject to the satisfaction of the Condition Precedent, namely, the obtaining of the Independent Shareholders' Approval. Therefore, the Disposal Transaction may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in 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 DISPOSAL AGREEMENT

The Board announces that on 12 December 2014, Rich Lucky as vendor, the Company as vendor guarantor, Market Victory as purchaser and Mr. Lau as purchaser guarantor have entered into the Disposal Agreement relating to, among others, the sale and purchase of the entire issued share capital of Asian East.

The major terms of the Disposal Agreement are set out below:-

Date

12 December 2014

Parties

- (a) Rich Lucky, as vendor;
- (b) the Company, as vendor guarantor;
- (c) Market Victory, as purchaser; and
- (d) Mr. Lau, as purchaser guarantor.

In consideration of Market Victory and Mr. Lau entering into the Disposal Agreement, the Company has agreed to guarantee the performance by Rich Lucky of its obligations under the Disposal Agreement. In consideration of Rich Lucky and the Company entering into the Disposal Agreement, Mr. Lau has agreed to guarantee the performance by Market Victory of its obligations under the Disposal Agreement.

Assets to be disposed

The Sale Share and the Sale Loan. As at 30 September 2014, the Sale Loan amounted to approximately HK\$2,062.2 million. In consideration for the sale or procurement of the sale of the Sale Share and the assignment or procurement of the assignment of the Sale Loan by Rich Lucky to Market Victory or its nominee(s), Market Victory further agreed to assume or procure (through its nominee(s)) to assume the obligation of repayment of the Assumed Debt (if any) upon completion of the Disposal Agreement. As at 30 September 2014, the Assumed Debt amounted to approximately HK\$0.4 million.

The Sale Share to be acquired by Market Victory shall be free from all encumbrances (if any) at completion of the Disposal Agreement and with all dividends, benefits and other rights becoming attached or accruing thereto as from the Completion Date.

The Consideration

The Consideration shall be equal to the aggregate of (but subject to a cap amount of HK\$9,000 million):-

- (a) the consolidated net asset value or liability of the Target Companies (for the purpose of ascertaining such net asset value or liability, Market Victory acknowledges and accepts that the Properties shall have a value of HK\$7,880 million (being the market value of the Properties as at 30 November 2014 valued by an independent property valuer) in the Completion Accounts); and
- (b) the aggregate face amount of the Sale Loan, less the aggregate face amount of the Assumed Debt.

At completion of the Disposal Agreement, Market Victory shall pay to Rich Lucky the Provisional Consideration. The difference between the Provisional Consideration and the Consideration will be settled in cash or cheque within 7 Business Days after the Completion Accounts has become available.

The Provisional Consideration (if the Bank Loan has been fully repaid prior to or upon completion of the Disposal Agreement and such repayment is fully or partially financed by additional Sale Loan provided after the date of the Disposal Agreement) of approximately HK\$7,781.4 million or (if the Bank Loan is still outstanding upon completion of the Disposal Agreement) of approximately HK\$4,657.3 million equals to the aggregate of the unaudited consolidated net asset value of the Target Companies as at 30 September 2014 taking into account the market value of the Properties of HK\$7,880 million as at 30 November 2014 as valued by the independent property valuer as mentioned above and the unaudited figures of the amounts of the Sale Loan less the Assumed Debt as at 30 September 2014.

The Deposits

Pursuant to the Disposal Agreement, Market Victory shall pay to Rich Lucky the Deposits, which will be applied towards settlement of the Provisional Consideration at completion of the Disposal Agreement.

If the Condition Precedent shall not have been satisfied on or before the Long Stop Date, or completion of the Disposal Agreement does not proceed and such non-completion does not arise as a result of the default of Market Victory or Mr. Lau under the Disposal Agreement, Rich Lucky shall return the Deposits (if any) without interest to Market Victory within 7 Business Days after receiving a written demand from Market Victory for the return.

If the Condition Precedent shall have been satisfied but completion of the Disposal Agreement does not proceed and such non-completion arises as a result of the default of Market Victory or Mr. Lau under the Disposal Agreement, such part of the Deposits equivalent to 10% of the Provisional Consideration shall be forfeited to Rich Lucky and, whereupon, the balance of the Deposits (if any) then received by Rich Lucky will be retained by Rich Lucky as security for the payment of compensation for any additional losses and/or damages (if any) suffered by Rich Lucky arising from such default of Market Victory or Mr. Lau until such losses and damages suffered by Rich Lucky have been assessed in accordance with the Disposal Agreement. Rich Lucky 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 Market Victory. In the event the aggregate amount of the Deposits received by Rich Lucky at the time of forfeiture shall be less than 10% of the Provisional Consideration, Rich Lucky shall be entitled to forfeit the entire Deposits and claim against Market Victory to recover any further loss or damage (if any) suffered by Rich Lucky, which shall be equal to the amount of the losses and damages suffered by Rich Lucky as assessed in accordance with the Disposal Agreement less the total amount of the Deposits so forfeited, arising from such default.

Market Victory may elect to settle the Provisional Consideration (or any part thereof) by procuring certain Shareholders to apply their Dividend Entitlements, subject to completion of the Disposal Agreement, towards the payment of the Provisional Consideration and the Company will be authorised and instructed to pay such Dividend Entitlements to Rich Lucky, in lieu of such Shareholders, to settle the Provisional Consideration to the extent of the aggregate amount of such Dividend Entitlements.

Undertakings and Indemnity

Prior to completion of the Disposal Agreement, each of Market Victory and Mr. Lau 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 Guarantee following or upon completion of the Disposal Agreement to replace the CE Guarantee.

The Company has given the MTR Guarantee in favour of MTR in connection with the MTR Project Agreement. Prior to completion of the Disposal Agreement, the Company will use its reasonable endeavours, and Rich Lucky will procure CE One to use its reasonable endeavours, to seek the termination of the MTR Guarantee or MTR's consent to the substitution of the MTR Guarantee by a guarantee and indemnity executed by Mr. Lau or such other person acceptable to MTR in favour of MTR, so as to fully release the Company from all its obligations and liabilities under the MTR Guarantee upon completion of the Disposal Agreement. Each of Market Victory and Mr. Lau agrees to give and/or procure the provision of such a guarantee and indemnity on substantially the same terms of the MTR Guarantee or on such terms as may be reasonably required by MTR to substitute the MTR Guarantee (the "**MTR Substitution Guarantee**").

In the event that upon completion of the Disposal Agreement, the MTR Guarantee shall not have been terminated or substituted as aforesaid, pursuant to the Disposal Agreement, Mr. Lau shall, among others, counter indemnify the Company for, among others, all losses and liabilities suffered, incurred or payable by the Company in relation to or in connection with or arising out of any breach under any MTR Documents as a result of the default of CE One after completion of the Disposal Agreement until termination or full release of the MTR Guarantee or the MTR Substitution Guarantee (if executed) becoming effective. In the event that there is any claim made by MTR against CE One or any other Target Companies after completion of the Disposal Agreement arising from a breach of any MTR Documents by CE One or any other member of the Group occurring before completion of the Disposal Agreement, Rich Lucky shall indemnify Market Victory and the Target Companies against,

among others, all losses and liabilities suffered or properly and reasonably incurred or payable by Market Victory and/or the Target Companies arising from or otherwise in connection therewith.

FINANCING UNDER THE DISPOSAL AGREEMENT

Rich Lucky has agreed that, if Market Victory needs to raise loans or other borrowings from banks or third parties for its payment of the Provisional Consideration or the Consideration or any part thereof, on the basis of the Target Companies providing guarantees or securities (including securities on the Properties) to such banks or third parties, and if so requested by Market Victory and subject to compliance with all applicable laws and regulations, Rich Lucky will procure the Target Companies to give reasonable assistance to Market Victory prior to or at completion of the Disposal Agreement to facilitate the provision of such securities by the Target Companies and the obtaining of such financing by Market Victory upon completion of the Disposal Agreement. Given the above guarantee(s) or security(ies) if provided by the Target Companies will only be provided if completion of the Disposal Agreement occurs, and that upon completion thereof, such Target Companies will cease to be subsidiaries of the Company but become wholly-owned subsidiaries of Market Victory, such financial assistance will therefore be provided by the subsidiaries of Market Victory to Market Victory. Hence, the assistance if provided by Rich Lucky will be administrative assistance in facilitating Market Victory to obtain financing to complete the Disposal Agreement. Such administrative assistance is not unusual in sale and purchase transactions of this kind.

THE CONDITION PRECEDENT OF THE DISPOSAL AGREEMENT

Completion of the Disposal Agreement is conditional upon the obtaining of the Independent Shareholders' Approval.

If the Condition Precedent shall not have been fulfilled on or before the Long Stop Date, the Disposal Agreement shall thereupon terminate whereupon none of the parties 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 OF THE DISPOSAL AGREEMENT

Subject to the Condition Precedent having been satisfied, completion of the Disposal Agreement shall take place on the Completion Date upon and subject to its terms. The parties to the Disposal Agreement undertake with each other to use their respective reasonable endeavours and in good faith to proceed with the completion of the Disposal Agreement as soon as practicable after the fulfilment of the Condition Precedent.

EFFECT OF THE DISPOSAL TRANSACTION

After completion of the Disposal Agreement, the Target Companies will cease to be subsidiaries of the Company, and their financial results, assets and liabilities will cease to be consolidated with the consolidated financial statements of the Group.

Principal assets of the Target Companies are the Properties which are recorded as investment properties in the consolidated financial statements of the Group. Pursuant to the accounting policies of the Group, the Properties (being investment properties) are measured at fair values

in the consolidated financial statements of the Group. Gains and losses arising from changes in the fair values of the Properties are included in profit or loss for the period in which they arise. Accordingly, the Properties will be measured at their fair values on the Completion Date. Any changes in the fair values of the Properties on the Completion Date to that stated in the consolidated financial statements of the Group will be included in profit or loss as fair value gains or losses. It is expected that these fair value gains or losses as a result of the fair value changes will be entirely eroded by the gain or loss on the Disposal Transaction (being the difference between the Consideration and the value of the Target Companies recorded in the consolidated financial statements of the Group on the Completion Date). However, transaction costs of the disposal of the Target Companies of approximately HK\$7.0 million will be recorded as a loss on disposal. On this basis together with assuming the aggregate (a) the net asset value of the Target Companies on the Completion Date after adjusting the carrying amount of the Properties to their market values on the Completion Date; and (b) the Sale Loan less the Assumed Debt on the Completion Date not exceeding the cap of the Consideration, it is estimated that the Group will not record net material gain or loss on the Disposal Transaction. Moreover, this estimation is made based on the Provisional Consideration, less the aggregate (i) the net asset value of the Target Companies as at 30 September 2014 after adjusting the carrying amount of the Properties to their market values as at 30 November 2014; and (ii) the Sale Loan less the Assumed Debt as at 30 September 2014. The actual net gain or loss on completion of the Disposal Agreement might be different given that the above estimate is based on (i) the net asset value of the Target Companies (taking into account the market values of the Properties as at 30 November 2014), and (ii) the Sale Loan and the Assumed Debt as at 30 September 2014, which might be different from those on the Completion Date.

Financial results, assets and liabilities of the Target Companies will cease to be consolidated with the financial statements of the Group following completion of the Disposal Agreement that the Target Companies will cease to be subsidiaries of the Company. The Target Companies had outstanding Bank Loan of approximately HK\$3,249.2 million as at 30 September 2014. Such 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, and this will result in lower finance costs to be incurred by the Group after completion of the Disposal Agreement. Moreover, rental income of the Target Companies will not be recorded in the consolidated financial statements of the Group following completion of the Disposal Agreement, and this will lead to a drop of rental income of the Group. As explained above, it is estimated that the Group will not record net material gain or loss on the Disposal Transaction. Accordingly, it is expected that the disposal of the Target Companies itself will have no material effects on the net asset value of the Group.

Upon completion of the Disposal Agreement, the Group will continue its existing business activities other than those related to the Properties. The Disposal Transaction, as aggregated with the SP Transactions, represents only approximately 35.0%, 35.6% and 14.7% of the total assets as at 30 June 2014 (the “**Total Assets**”), net profits for the year ended 31 December 2013 (the “**Net Profits**”) and total revenue for the year ended 31 December 2013 (the “**Total Revenue**”) of the Group respectively. The remaining businesses of the Group account for approximately 65.0%, 64.4% and 85.3% of the Total Assets, Net Profits and Total Revenue of the Group. After deducting the Disposal Transaction (as aggregated with the SP Transactions), the remaining Total Assets, Net Profits and Total Revenue of the Group will amount to approximately HK\$43.85 billion, HK\$4.48 billion and HK\$5.51 billion respectively. Accordingly, the Board considers that the remaining assets, profits and revenue of the Group are substantial and sufficient to warrant the continued listing of the Shares.

The Properties is one of the 19 principal investment properties within the Group’s investment property portfolio. The Group functions as a conglomerate which engages in various

businesses other than property leasing. Upon completion of the Disposal Agreement, the Group will continue its existing business activities other than those related to the Properties, and its principal activities will continue to be property investment and development, brokerage, securities investment, money lending and cosmetics distribution and trading.

INFORMATION OF THE GROUP AND THE VENDOR

The Group is principally engaged in property investment and development, brokerage, securities investment, money lending and cosmetics distribution and trading. Rich Lucky is an investment holding company incorporated in BVI and an indirect wholly-owned subsidiary of the Company.

INFORMATION OF THE PURCHASER

Market Victory is an investment holding company wholly-owned and established by Mr. Lau for the purpose of holding the assets to be acquired under the Disposal Agreement.

INFORMATION OF THE ASSETS TO BE DISPOSED OF

Information of the Target Companies

Asian East is an investment holding company incorporated in BVI and a direct wholly-owned subsidiary of Rich Lucky. CE One is a property investment company incorporated in Hong Kong that owns the Properties and a direct wholly-owned subsidiary of Asian East. Lucky Winds is a company incorporated in BVI and a direct wholly-owned subsidiary of Asian East. After completion of the Disposal Agreement, Market Victory will become the beneficial owner of the entire issued share capital of Asian East, and each of the Target Companies will cease to be a subsidiary of the Company. As at the date of this announcement, other than the Properties and certain pledged bank deposits, the Target Companies do not have any other material assets.

A summary of the unaudited consolidated results of the Target Companies for each of the two years ended 31 December 2012 and 2013 is set out below:-

	For the year ended 31 December 2012 (HK\$ million)	For the year ended 31 December 2013 (HK\$ million)
Turnover	313	352
Fair value changes on investment properties	1,187	685
Profit before taxation	1,366	897
Profit after taxation	1,366	897
Profit attributable to the equity holder	1,366	897

As at 30 September 2014, the unaudited consolidated net asset value of the Target Companies was approximately HK\$1,884.5 million, the aggregate amount of the Sale Loan was approximately HK\$2,062.2 million and the aggregate amount of the Assumed Debt was approximately HK\$0.4 million.

Information on the Properties

CE One is the owner of the Properties, which details are set out below:-

Properties	Usage	Attributable interests to the Group
The property known as “The ONE” situated at No. 100 Nathan Road, Kowloon, Hong Kong	Commercial	100%

COMPETING INTERESTS

In consideration of Rich Lucky and the Company entering into the Disposal Agreement, subject to completion of the Disposal Agreement having occurred, Mr. Lau has undertaken to Rich Lucky and the Company in the Disposal Agreement that so long as he and/or his close associate(s) (including without limitation Market Victory) is/are the owner(s) of the Properties and so long as he or his close associate(s) is a director of the Company whilst the Group still owns retail properties in Tsim Sha Tsui, Hong Kong, whenever there is any Potential Tenant approaching the Relevant Owner or its agent for a Potential Lease, Mr. Lau will not and, will procure the Relevant Owner not to, accept or enter into the Potential Lease unless the following steps have been done:-

- (a) the Relevant Owner has notified the Company (or any person designated by the Company from time to time to receive notification from the Relevant Owner for such purpose) the opportunity for the Potential Lease and referred the Potential Tenant to the Group for a potential lease, tenancy or license of the retail properties in Tsim Sha Tsui, Hong Kong owned by the Group, except that no such notification and referral need to be made by the Relevant Owner if the Potential Tenant disagrees with or refuses to such notification and referral (in which case the Relevant Owner shall be free to take up the Potential Lease); and
- (b) following the notification and referral mentioned in paragraph (a) above, the Group has decided not to accept the Potential Tenant for the lease, tenancy or licence of its retail properties in Tsim Sha Tsui, Hong Kong and conveyed its decline decision to the Relevant Owner or the Group has not notified in writing to the Relevant Owner its decision to accept the Potential Tenant within 3 weeks of the notification and referral mentioned in paragraph (a) above.

The Company proposes to adopt the following measures to monitor the compliance of the above undertakings when such undertakings are in force:-

- (i) a standard clause is proposed to be inserted into all the tenancy or leasing documents in respect of the Properties to be entered into between the Relevant Owner and the tenants, or alternatively a side letter to be signed and given by the tenants, whereby the tenants will confirm that they have been recommended or referred to lease the retail properties in Tsim Sha Tsui, Hong Kong owned by the Group before entering into the tenancy or leasing documents and that despite the recommendation or referral they do not intend to lease the retail properties in Tsim Sha Tsui, Hong Kong owned by the Group or they intend to lease the retail properties in Tsim Sha Tsui, Hong Kong owned by the Group but the Group has declined to lease the same to them;

- (ii) where the tenants intend to lease the retail properties in Tsim Sha Tsui, Hong Kong owned by the Group following the above recommendation or the referral but the Group has declined to lease the same to them, the reasons for the decline decisions will be properly recorded and documented by the Group and the relevant records will be passed to the independent non-executive Directors for information purposes annually at the same time as the submission of the tenancy or leasing documents and side letters to the independent non-executive Directors contemplated in sub-paragraph (iv) below;
- (iii) written instructions will be given by the Company to each of the staff responsible for leasing of the Properties in respect of the measures mentioned in (i) and (ii) above;
- (iv) copies of all such tenancy or leasing documents and side letters will be submitted to and reviewed by the independent non-executive Directors annually, for the purpose of monitoring the compliance of the above undertakings; and
- (v) the independent non-executive Directors will study the documents and records as provided above and discuss their findings with the responsible officers. If there is anything unusual, the independent non-executive Directors will ask for, and evaluate the adequacy of, the explanations. If the explanations are not acceptable to them, the independent non-executive Directors will propose additional measures and internal procedures which they may consider necessary or desirable for redressing the problems or deficiencies identified or better monitoring of the compliance of the above undertakings. In addition, the independent non-executive Directors will disclose the result of their review in the annual report. In the course of their review, the independent non-executive Directors may seek independent legal and/or financial advice, and (if necessary) commission independent third party to carry out a full and thorough investigation into the unusual matters and make recommendations to them on ways of redressing the problems, and upon completion of the investigation, depending on the seriousness of the outcome, take appropriate remedial measures to safeguard the interests of the Company and its Shareholders as a whole.

The Board (excluding the independent non-executive Directors, whose views will be provided after taking into account the opinion and advice from the independent financial adviser to be appointed) considers that the above measures are able to resolve the potential competition conflict between Mr. Lau or his close associate(s) and the Group that may follow from completion of the Disposal Transaction.

REASONS FOR AND BENEFITS OF THE DISPOSAL TRANSACTION

As the performance of certain retail business sectors have shown indications of reaching their peaks, it is currently anticipated that this would result in a downturn in rental income in the retail sector. Decrease in Mainland China tourists' spending also affects retail rental income. It is also anticipated that the Hong Kong interest rate will follow the possible increase in interest rate of the United States of America next year, causing bank borrowing's interest expenses to increase, which would in turn result in reduction of the net return from holding investment properties and therefore potentially less return to Shareholders. Accordingly, the Company considers that this would be an appropriate time to dispose of the Properties in order to seize the opportunity to maximise the return derived from the Properties. As set out in the Company's interim report for the six months ended 30 June 2014, the Properties' average occupancy rate for the first half of 2014 was approximately 99.82% and it has accordingly reached a fully mature stage. In November 2014, the Company was approached by Mr. Lau, a substantial Shareholder and a controlling Shareholder, with an offer to acquire the entire Properties through the Target Companies for a cash consideration determined by

reference to the prevailing market value of the Properties as valued by an independent property valuer.

In view of the fact that the effort of the Group leasing the Properties out fully with a view to maximising the rental income of the Properties has been completed, the executive Directors decided to negotiate detailed terms with Mr. Lau, whom they regarded as a committed and capable purchaser already familiar with the Properties. Negotiations with Mr. Lau could proceed in complete confidence without disturbing the market and the executive Directors have a high degree of certainty that the Disposal Transaction will proceed to completion as planned. The Consideration is determined by reference to the market value of the Properties as at 30 November 2014 as valued by an independent property valuer and will be paid entirely in cash. In addition, the structure of the Disposal Transaction is similar to the transactions contemplated under the Silvercord First SP Agreement. The SP Transactions (including the contemplated declaration of the Moon Ocean Special Dividend and Silvercord Special Dividend (both as defined in the Previous Announcement)) were approved by the then independent shareholders of the Company by an overwhelming majority of approximately 99% vote in favour at the Company's special general meeting held on 10 October 2014, indicating that Independent Shareholders were agreeable to the distribution of substantial special dividends. As such, the Board considers that accepting another offer of similar nature and terms will facilitate enhancement of return to the Shareholders. The Moon Ocean SP Agreement was completed on 31 October 2014 and the Moon Ocean Special Dividend (as defined in the Previous Announcement) of HK\$2.55 per Share was paid to the Shareholders on or about 31 October 2014. Completion of the Silvercord SP Agreements is yet to take place. Following this successful model, the executive Directors currently intend that a majority part of the net sale proceeds derived from the Disposal Transaction may be used to pay the One Special Dividend to the Shareholders on or after the Completion Date, and the remaining net sale proceeds for general working capital of the Group, subject to the then financial and cashflow position of the Group at the respective point in time.

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

USE OF PROCEEDS

Based on the assumption that the Provisional Consideration will be the same as the Consideration, it is estimated that the net sale proceeds arising from the Disposal Transaction would be approximately (i) HK\$7,774.4 million (with estimated sale proceeds of approximately HK\$7,781.4 million, if the Bank Loan has been fully repaid prior to or upon completion of the Disposal Agreement and such payment is fully or partially financed by additional Sale Loan provided after the date of the Disposal Agreement), after deducting the transaction costs related to the Disposal Transaction of approximately HK\$7.0 million; or (ii) HK\$4,650.3 million (with estimated sale proceeds of approximately HK\$4,657.3 million, if the Bank Loan is still outstanding upon completion of the Disposal Agreement), after deducting the aforesaid transaction costs related to the Disposal Transaction.

Subject to the then financial and cashflow position of the Group at completion of the Disposal Agreement and assuming the Disposal Transaction shall have been 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 One Special Dividend to the Shareholders on or after completion of the Disposal Agreement (which is scheduled under the Disposal Agreement to be on or before 31 December 2015).

Further, if the Disposal Transaction shall have been approved by the Independent Shareholders at the SGM, in anticipation that completion of the Disposal Agreement would take place, the Company may, prior to the Completion Date and subject to the then financial and cashflow position of the Group, declare and pay the Advance One Special Dividend in one or more phases out of the Group's distributable profits to the Shareholders, which will be financed by the Group's working capital. The aggregate amount of the Advance One Special Dividend and/or the One Special Dividend to be paid to the Shareholders shall not exceed the net sale proceeds of the Disposal Transaction. A small portion of such net sale proceeds will be used for general working capital of the Group. In this regard, the Disposal Transaction would enable the Shareholders to benefit from the Advance One Special Dividend and/or the One Special Dividend. The Board will take into account the then financial and cashflow position of the Group at the respective point in time and the progress of the development of the Disposal Transaction before any such Advance One Special Dividend (if any) and/or One Special Dividend (if any) is proposed and declared.

As there is currently no imminent mega property development projects contemplated or other major projects which requires substantial cash investment in the near future, the Board considers that the distribution of the Advance One Special Dividend and/or the One Special Dividend (as the case may be), if materialised, is in the interests of the Company and the Shareholders as a whole. If the Company does not proceed with the distribution of the Advance One Special Dividend and/or the One Special Dividend, the net sale proceeds from the Disposal Transaction will be used for general working capital purposes. Further announcement(s) would be made by the Company in relation to the proposed distribution of the Advance One Special Dividend and/or the One Special Dividend, if any, as and when appropriate.

LISTING RULES IMPLICATION FOR THE DISPOSAL TRANSACTION

As the Disposal Agreement was entered into within 12 months after the signing of the SP Agreements, and the Disposal Agreement and the SP Agreements were entered into by the Company with the same connected person and his associates, the Disposal Transaction and the SP Transactions will be aggregated pursuant to Rule 14A.81 of the Listing Rules. As one or more of the applicable percentage ratios under Chapter 14 of the Listing Rules for the Disposal Transaction as aggregated with the SP Transactions exceed 25% but are less than 75%, the Disposal Transaction (as aggregated with the SP Transactions) constitutes a major transaction for the Company and the Disposal Transaction is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As Mr. Lau, being a substantial Shareholder and a controlling Shareholder, who was interested in 1,430,700,768 Shares, representing approximately 74.99% of the total issued Shares as at the date of this announcement, is the sole director and the sole beneficial owner of Market Victory, Mr. Lau and Market Victory are connected persons of the Company. Accordingly, the Disposal Transaction constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules, and is subject to the reporting, announcement and Independent Shareholders' Approval requirements pursuant to 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 Mr. Lau is a substantial Shareholder and a controlling Shareholder and also the sole director and the sole beneficial owner of Market Victory, each of Mr. Lau and Market Victory 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.

Each of Mr. Lau, Ming-wai, Ms. Chan, Sze-wan, Ms. Lui, Lai-kwan and Ms. Amy Lau, Yuk-wai is an associate of Mr. Lau, who is a substantial Shareholder and a controlling Shareholder, and the sole director and the sole beneficial owner of Market Victory. Notwithstanding that none of the Directors has a material interest in the Disposal Transaction, in view of their relationship with Mr. Lau, each of Mr. Lau, Ming-wai, Ms. Chan, Sze-wan, Ms. Lui, Lai-kwan and Ms. Amy Lau, Yuk-wai abstained from voting on the Board resolutions approving the Disposal Agreement and the Disposal Transaction. Save as disclosed above and as disclosed in this announcement in respect of the views of the independent non-executive Directors' will be provided after taking into account the opinion and advice from the independent financial adviser to be appointed, no other Directors abstained from voting on the Board resolutions approving the Disposal Agreement and the Disposal Transaction.

GENERAL

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 in respect of the Disposal Agreement and the Disposal Transaction, (iv) the valuation report on the Properties and (v) the notice of SGM is expected to be despatched to the Shareholders on or before 7 January 2015.

An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders regarding the Disposal Agreement and the Disposal Transaction. An Independent Board Committee has been appointed to advise the Independent Shareholders on whether or not the terms of the Disposal Agreement and the Disposal Transaction are in the interest of the Company and are fair and reasonable so far as the Independent Shareholders are concerned.

The Directors shall seek the approval of the Independent Shareholders on the Disposal Agreement and the Disposal Transaction at the SGM. Mr. Lau and his associate(s) will abstain from voting on the resolution(s) approving the Disposal Agreement and the Disposal Transaction in accordance with Rule 14A.36 of the Listing Rules. Any vote exercised by the Independent Shareholders at the SGM shall be taken by poll.

Shareholders and potential investors of the Company should note that completion of the Disposal Agreement is subject to the satisfaction of the Condition Precedent, namely, the obtaining of the Independent Shareholders' Approval. Therefore, the Disposal Transaction may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in 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:-

“Advance One 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 would take place (the amount of each such dividend per Share to be determined by the Board) (other than: (i) the One Special Dividend; (ii) the Silvercord Special Dividend (as defined in the Previous Announcement) to the extent of the Silvercord Special Dividend (as defined in the Previous Announcement) being applied or required to be applied to settle or set-off the provisional consideration or the consideration payable under the Silvercord First SP Agreement in accordance with its terms; and (iii) any other special cash interim dividend(s) to be declared by the Company after the date hereof), the record date and payment date for which shall fall before the Completion Date;
“Asian East”	Asian East Limited (carrying on business in Hong Kong as Asian East Capital Limited), a limited liability company incorporated in BVI and an indirect wholly-owned subsidiary of the Company;
“associate(s)”	has the meaning ascribed to it in the Listing Rules;
“Assumed Debt”	all sums due and owing to any of the Target Companies by any member of the Group (excluding the Target Companies) as at the Completion Date;
“Bank Loan”	the outstanding bank loans, interest and all other sums owed by CE One pursuant to the loan agreement in relation to a term loan facility in the sum of HK\$3,450,000,000 dated 13 September 2013 between CE One as borrower, certain banks and other financial institutions named therein as lenders and Bank of China (Hong Kong) Limited as the facility agent and security agent and one of the mandated coordinating arrangers, or if such bank loan is repaid but its repayment is refinanced by a new bank loan obtained by the Target Companies prior to or upon completion of the Disposal Agreement, the outstanding bank loan, interest and all other sums owed by such Target Companies pursuant to such new 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 the Target Companies) in respect of the obligations or liabilities of any of the Target Companies;
“CE One”	Chinese Estates (The One) Limited (formerly known as “Chinese Estates (Tung Ying Building) Limited” and “East Step Limited”), a limited liability company incorporated in Hong Kong and a direct wholly-owned subsidiary of Asian East;
“close associate(s)”	has the meaning ascribed to it in the Listing Rules;
“Company”	Chinese Estates Holdings Limited (Stock Code: 127), a limited liability company incorporated in Bermuda, the Shares of which are listed on the main board of the Stock Exchange;
“Completion Accounts”	the unaudited consolidated statement of comprehensive income of the Target Companies for the period from 1 January 2015 and ending on the Completion Date and the unaudited consolidated statement of financial position of the Target Companies as at the Completion Date, each prepared in accordance with HKFRS;
“Completion Date”	any Business Day falling between 1 January 2015 and 31 December 2015 (both days inclusive) as shall be agreed between Rich Lucky and Market Victory for the purpose of completion of the Disposal Agreement, or failing agreement, 31 December 2015;
“Condition Precedent”	the condition precedent to the completion of the Disposal Agreement as set out in the paragraph headed “The Condition Precedent of the Disposal Agreement” of this announcement;
“connected person(s)”	has the meaning ascribed to it in the Listing Rules;
“Consideration”	the aggregate consideration for the purchase of the Sale Share and the Sale Loan pursuant to the Disposal Agreement;

“Deposits”	the aggregate amounts equivalent to (i) the One Dividend receivable by Global King and JLLHIL, or their nominees or custodians, as Shareholders; and (ii) any additional deposits of any amount on top of the aforesaid One Dividend which Market Victory shall be entitled to pay to Rich Lucky prior to completion of the Disposal Agreement pursuant to the Disposal Agreement;
“Director(s)”	director(s) of the Company;
“Disposal Agreement”	the sale and purchase agreement dated 12 December 2014 entered into among Rich Lucky, the Company, Market Victory and Mr. Lau relating to the entire issued share capital of Asian East;
“Disposal Transaction”	the transactions contemplated under the Disposal Agreement;
“Dividend Entitlements”	the entitlements to the One Dividend by certain Shareholders who have executed and delivered to Rich Lucky and the Company the Letter of Payment Direction;
“Global King”	Global King (PTC) Ltd., a limited liability company incorporated in the BVI and a Shareholder and an associate of Mr. Lau, which is wholly-owned by the trustee of a discretionary trust of which Mr. Lau is the founder and a beneficiary;
“Group”	the Company and its subsidiaries;
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants from time to time;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“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 Shareholders who have a material interest in the Disposal Transaction (including Mr. Lau and his associate(s));
“Independent Shareholders’ Approval”	approval by the Independent Shareholders at the SGM in respect of the Disposal Agreement and the Disposal Transaction;
“JLLHIL”	Joseph Lau Luen Hung Investments Limited, a limited liability company incorporated in the BVI and a Shareholder and an associate of Mr. Lau, which is wholly-owned by the trustee of a discretionary trust of which Mr. Lau is the founder and a beneficiary;
“Letter of Payment Direction”	a letter of payment direction regarding the Dividend Entitlements to the One Dividend by certain Shareholders;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	30 June 2015 or such other date as may be agreed between Rich Lucky and Market Victory;
“Lucky Winds”	Lucky Winds Investments Limited, a limited liability company incorporated in BVI and a direct wholly-owned subsidiary of Asian East;
“Market Victory”	Market Victory Limited, a limited liability company incorporated in BVI and wholly-owned by Mr. Lau indirectly;
“Moon Ocean SP Agreement”	the sale and purchase agreement dated 1 September 2014 entered into among Data Dynasty Limited, the Company, One Midland Limited and Mr. Lau relating to the entire issued share capital of Value Eight Limited;
“Mr. Lau”	Mr. Joseph Lau, Luen-hung, a substantial Shareholder and a controlling Shareholder;
“MTR”	MTR Corporation Limited;
“MTR Documents”	collectively, the MTR Project Agreement and such documents, letters and agreements subsequently entered into in connection therewith by some or all of the parties to the MTR Project Agreement;

“MTR Guarantee”

the guarantee and indemnity dated 26 February 2007 executed by the Company in favour of MTR pursuant to which the Company agreed to guarantee the performance of obligations by CE One under the MTR Project Agreement and indemnify MTR against all loss and costs arising out of any default by CE One under the MTR Project Agreement upon and subject to the terms thereof;

“MTR Project Agreement”

the agreement dated 26 February 2007 entered into between, among others, CE One and MTR in relation to, among others, the construction of a pedestrian subway connecting the northern platform of the Tsim Sha Tsui mass transit railway station to the basement of the Properties;

“Normal Dividend”

any ordinary interim or final cash dividend(s) proposed to be declared and/or recommended by the Board upon approving the interim results or final results of the Company, and payable to the Shareholders (excluding the Silvercord Special Dividend, the Advance One Special Dividend, the One Special Dividend and any other special dividend(s) (if any) to be declared after the date hereof), the record date and payment date for which shall fall on or before the Completion Date;

“One Dividend”

means all and any of the Advance One Special Dividend, the One Special Dividend and the Normal Dividend;

“One Special Dividend”

the special cash interim dividend proposed to be declared and paid by the Company to the Shareholders from the net sale proceeds of the Disposal Transaction (the amount of such dividend per Share to be determined by the Board by reference to the estimated net sale proceeds of the Disposal Transaction) (other than: (i) the Advance One Special Dividend; (ii) the Silvercord Special Dividend (as defined in the Previous Announcement) to the extent of the Silvercord Special Dividend (as defined in the Previous Announcement) being applied or required to be applied to settle or set-off the provisional consideration or the consideration payable under the Silvercord First SP Agreement in accordance with its terms; and (iii) any other special cash interim dividend(s) to be declared by the Company after the date hereof), the record date for which shall fall before the Completion Date and the payment date for which shall fall on or after the Completion Date;

“Potential Lease”	a potential lease, tenancy or license of the Properties or any part thereof;
“Potential Tenant”	any potential or prospective tenant or licensee of the Properties;
“Previous Announcement”	the announcement of the Company dated 2 September 2014 in relation to, among others, the major and connected transactions in relation to the disposal of certain subsidiaries of the Company under the SP Agreements;
“Properties”	the properties held directly by CE One as set out under the paragraph headed “Information on the Properties” of this announcement;
“Provisional Consideration”	a sum of approximately HK\$7,781.4 million (if the Bank Loan has been fully repaid prior to or upon completion of the Disposal Agreement and such repayment is fully or partially financed by additional Sale Loan provided after the date of the Disposal Agreement) or approximately HK\$4,657.3 million (if the Bank Loan is still outstanding upon completion of the Disposal Agreement) as the provisional consideration payable by Market Victory to Rich Lucky upon completion of the Disposal Agreement;
“Related Party”	for the purpose of the Stock Exchange Undertaking, a director, 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;
“Relevant Owner(s)”	Mr. Lau and/or his close associate(s) (including without limitation, Market Victory) who is/are the owner(s) of the Properties;
“Rich Lucky”	Rich Lucky Limited, a limited liability company incorporated in BVI and an indirect wholly-owned subsidiary of the Company;
“Sale Loan”	all sums due or owing by the Target Companies to members of the Group (other than the Target Companies) as at the Completion Date;

“Sale Share”	the one share beneficially owned by and registered in the name of Rich Lucky, representing the entire issued share capital of Asian East (which ultimately owns the Properties);
“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);
“Silvercord First SP Agreement”	the sale and purchase agreement dated 1 September 2014 entered into among Super Series Limited, the Company, Fly High Target Limited and Mr. Lau relating to the entire issued share capital of Brass Ring Limited;
“Silvercord SP Agreements”	collectively, (i) the Silvercord First SP Agreement; (ii) the sale and purchase agreement dated 1 September 2014 entered into among Super Series Limited, the Company, Fly High Target Limited and Mr. Lau relating to the entire issued share capital of Union Leader Limited; and (iii) the sale and purchase agreement dated 1 September 2014 entered into among Chinese Estates, Limited, the Company, Coast Field Ltd. and Mr. Lau relating to the entire issued share capital of Chinese Estates and Finance, Limited;
“SP Agreements”	collectively, the Moon Ocean SP Agreement and the Silvercord SP Agreements;
“SP Transactions”	the transactions contemplated under the SP Agreements;
“Specified Transaction(s)”	for the purpose of the Stock Exchange Undertaking, transaction(s) between the Company or any of its subsidiaries and a Related Party being:- <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;

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;

“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);

“Target Companies”

collectively, Asian East, CE One and Lucky Winds, and **“Target Company”** means each or any one of them; and

“%”

per cent.

By order of the Board

Lam, Kwong-wai

Executive Director and Company Secretary

Hong Kong, 12 December 2014

As at the date of this announcement, the Board comprised Mr. Lau, Ming-wai, Ms. Chan, Sze-wan, Mr. Lam, Kwong-wai and Ms. Lui, Lai-kwan as Executive Directors, Ms. Amy Lau, Yuk-wai as Non-executive Director, and Mr. Chan, Kwok-wai, Ms. Phillis Loh, Lai-ping and Mr. Ma, Tsz-chun as Independent Non-executive Directors.

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