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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 an increase in the Revenue ranging from 138% to 148% while a decline in the Profit ranging from 13% to 23% for the Year, as compared with the revenue of HK\$1,542 million and the consolidated net profit attributable to the owners of the Company of HK\$7,727 million for the year ended 31 December 2015. In addition, it is expected that the Group may record significant other comprehensive expenses attributable to the owners of the Company of approximately HK\$2,942 million for the Year as compared with that of the Company of HK\$1,207 million for the year ended 31 December 2015.

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 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 2017.

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 138% to 148% while a decline in the consolidated net profit attributable to the owners of the Company (the “**Profit**”) ranging from 13% to 23% for the year ended 31 December 2016 (the “**Year**”), as compared with the revenue of HK\$1,542 million and the consolidated net profit attributable to the owners of the Company of HK\$7,727 million for the year ended 31 December 2015.

Followings are a number of reasons which led to an increase in the Revenue while a decline in the Profit:-

- (1) Disposals of subsidiaries. Disposals of subsidiaries holding MassMutual Tower (now known as China Evergrande Centre) (the “**MMT Disposal**”), Evergo Tower in Shanghai, the People’s Republic of China (the “**PRC**”) (the “**Evergo Shanghai Disposal**”) and Windsor House (the “**Windsor Disposal**”) were completed in January, June and September 2016 respectively. In addition, disposal of subsidiaries holding The ONE (the “**One Disposal**”) was completed in July 2015. Subsequent to the completion of the MMT Disposal, Evergo Shanghai Disposal, Windsor Disposal and One Disposal, the Group’s rental revenue have been significantly decreased ranging from 33% to 43% which led to decrease in net rental income for the Year when compared with that for the year 2015. However, upon completion of the MMT Disposal, Evergo Shanghai Disposal and Windsor Disposal, the Group recorded substantial gain on disposals of subsidiaries in aggregate of approximately HK\$2,311 million (subject to audit and adjustment) for the Year as compared with HK\$941 million for the year 2015. The gain was mainly derived from the realisation of fair value gain recognised on the Group’s owner-occupied part of MassMutual Tower which was stated at cost less accumulated depreciation.
- (2) Increase in sales of trading properties. During the Year, sales of trading properties being comprised of residential units and car parking spaces at 55 Conduit Road (70% interest), residential units at One South Lane (100% interest) and car parking spaces at The Zenith (87.5% interest) have recorded approximately HK\$2,943 million in the Revenue as compared with HK\$152 million for the year 2015; and have contributed attributable profit (including share of results of associates) of approximately HK\$1,015 million as compared with HK\$66 million for the year 2015.
- (3) Imputed interest income from deferred consideration receivables. Following the disposals of subsidiaries holding Chengdu project and Chongqing project in the second half of 2015 and the MMT Disposal, part of the respective considerations of the respective disposals would be received over one year from the respective completion dates. Accordingly, the deferred consideration receivables were initially recognised at fair value and subsequently measured at amortised cost. During the Year, the Group recorded imputed interest income of approximately HK\$1,832 million (2015: HK\$209 million) from the deferred consideration receivables.
- (4) Income from listed investments held-for-trading and treasury products. 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 will record net profit of approximately HK\$905 million from the segment of the listed investments held-for-trading and treasury products as compared with that of HK\$860 million for the year 2015. Such net profit 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 other net finance costs. The increase was mainly attributable to, among others, the increase in interest income from bonds.
- (5) Income from Financial Assets measured at FVTOCI (as defined below). The Group will record a dividend income of approximately HK\$171 million (after withholding tax and

transaction costs) from Shengjing Bank (as defined below) during the Year. However, no such dividend was received in the year 2015.

- (6) Decrease in fair value gain on investment properties. The Group's investment properties were revalued as at 31 December 2016 and a gain on fair value changes of approximately HK\$139 million may be recorded for the Year as compared with HK\$4,689 million for the year 2015. The gain on fair value changes in 2016 mainly derived from Harcourt House, while in 2015 it was mainly derived from Mass Mutual Tower and Harcourt House. The fair value change is a non-cash item and will not affect the cash flow of the Group.
- (7) Decrease in share of results of associates. In the year 2015, an associate (50% interest) disposed of the company that ultimately held the office building namely Platinum located at Shanghai, the PRC and the Group recorded a share of the associate's gain on disposal of subsidiaries (net of tax) of HK\$514 million. However, no such profit was generated in the Year.

In addition to the increase in the Revenue while the decline in the Profit, it is expected that the Group may record significant other comprehensive expenses attributable to the owners of the Company of approximately HK\$2,942 million for the Year as compared with that of the Company of HK\$1,207 million for the year ended 31 December 2015, which mainly includes:

Fair value changes on financial assets measured at fair value through other comprehensive income (the "**Financial Assets measured at FVTOCI**"). The Group has in the ordinary and normal course of business conducted its securities investment activities for years. In May 2016, the Group has acquired 577,180,500 H shares of Shengjing Bank Co., Ltd. (Stock Code: 2066) ("**Shengjing Bank**") at the total consideration of approximately HK\$6,926 million. Based on the preliminary assessment on the closing market price of Shengjing Bank as at 30 December 2016 (the last trading day in the Year), it is expected that an unrealised loss on fair value changes on the Financial Assets measured at FVTOCI of approximately HK\$2,366 million would be recorded as an other comprehensive expense (item that will not be reclassified to profit or loss) during the Year. The 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 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 2017.

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 2017

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

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