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CHINESE ESTATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 127)

DISCLOSEABLE TRANSACTION ACQUISITION OF KNIGHTLIGHTS PROPERTY INTERNATIONAL S.A.

On 5 May 2017 (London time), the Purchaser, being an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Seller to acquire the Sale Shares, representing the entire issued share capital of the Target Company. Completion took place immediately after signing of the Agreement.

The principal asset of the Target Company is the Target Property, which is a mixed use building located in 11 and 12 St James's Square and 14 to 17 Ormond Yard, London, UK.

After Completion, the Target Company has become an indirect wholly-owned subsidiary of the Company and the financial results, assets and liabilities of the Target Company will be included in the consolidated financial statements of the Group.

As one of the applicable percentage ratios in respect of the transaction contemplated under the Agreement exceeds 5% but is less than 25%, the Agreement and the Acquisition constitute a discloseable transaction of the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

THE ACQUISITION

On 5 May 2017 (London time), the Purchaser entered into the Agreement with the Seller, pursuant to which the Purchaser agreed, among others, to acquire from the Seller the Sale Shares, representing the entire issued share capital of the Target Company. The principal terms of the Agreement are set out below:-

Date: 5 May 2017 (London time)

Parties: Purchaser (an indirect wholly-owned subsidiary of the Company)
Seller
Target Company

Subject Matter: Immediately prior to Completion, the Seller directly held 100% equity interest in the Target Company. Pursuant to the Agreement, the Purchaser agreed to acquire and the Seller agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company, subject to the terms of the Agreement.

The principal asset of the Target Company is the Target Property.

After Completion, the Target Company has become an indirect wholly-owned subsidiary of the Company and the financial results, assets and liabilities of the Target Company will be included in the consolidated financial statements of the Group.

Consideration: The Consideration payable by the Purchaser to the Seller for the Acquisition will be an amount equal to the Net Asset Value (as defined below).

The “**Net Asset Value**” means the aggregate value of the assets of the Target Company (including the Target Property at agreed property value of GBP174,990,000 (equivalent to approximately HK\$1,759,944,000)) minus the amount of the aggregate liabilities (including the Shareholder Loans at the Shareholder Loan Amount) of the Target Company immediately prior to Completion as determined and as shown in the Completion Accounts. The Shareholder Loan Amount in the Completion Accounts will be the same as that shown in the Pro Forma Accounts.

The initial Consideration (for Completion purpose, calculated based on the Estimated NAV (as defined below)) (the “**Completion Payment**”) has been paid by the Purchaser in cleared funds at Completion.

The “**Estimated NAV**” means the estimate of the Net Asset Value immediately prior to Completion as set out in the Pro Forma Accounts.

In addition, the Purchaser has paid on behalf of the Target Company an amount equal to the Shareholder Loan Amount shown in the Pro Forma Accounts in cleared funds to the Seller at Completion.

The Consideration shall not exceed GBP125,000,000 (equivalent to approximately HK\$1,257,175,000) (the “**Cap**”). If the Net Asset Value exceeds the Cap, the amount of the Consideration shall equal to the amount of the Cap.

Adjustment to Consideration:

Following Completion:

- (a) if the Net Asset Value as shown in the Completion Accounts is more than the Estimated NAV, the Purchaser shall pay the Seller a sum equal to the amount of that excess; and
- (b) if the Net Asset Value as shown in the Completion Accounts is less than the Estimated NAV, the Seller shall pay the Purchaser a sum equal to the amount of that reduction.

The Seller shall prepare and deliver to the Purchaser a draft of the Completion Accounts within 40 Business Days after Completion. If the parties cannot agree on any items in the draft Completion Accounts, the items of disagreement and related adjustments to the draft Completion Accounts will be referred to an independent firm of chartered accountants for determination.

Save and except warranties in relation to the Seller's power and authority and the ownership of the Sale Shares and the Target Property, the Seller's liability in relation to most of the warranties and all tax indemnities given pursuant to the Agreement is limited to a nominal value only and in view of this the Purchaser has separately taken out certain title and warranty and indemnity insurance policies at the Purchaser's own cost.

Completion took place immediately after the signing of the Agreement on 5 May 2017 (London time). At Completion, the Completion Payment in the sum of GBP96,850,870 (equivalent to approximately HK\$974,068,000) and the Shareholder Loan Amount shown in the Pro Forma Accounts in the sum of GBP77,073,357 (equivalent to approximately HK\$775,158,000) were paid by the Purchaser. The Consideration and the Shareholder Loan Amount payable by the Purchaser under the Agreement have been or will be settled by internal resources and borrowing.

The Agreement was on normal commercial terms and the terms of the Agreement were arrived at after arm's length negotiations between the parties. The Consideration is determined by reference to the agreed property value of the Target Property of GBP174,990,000 (equivalent to approximately HK\$1,759,944,000) and the face value of other assets and liabilities of the Target Company, other than deferred tax liabilities, deferred tax assets and Luxembourg tax liabilities. The Directors consider that the deferred tax liabilities of the Target Company will not be crystallised in the foreseeable future, exclusion of which in the Net Asset Value is reasonable; while the amount of deferred tax assets is similar to the amount of Luxembourg tax liabilities of the Target Company, the net financial effect of exclusion of both items will not be material to the Net Asset Value. The Directors have also taken into consideration a recent property valuation prepared by an independent property valuer with market value of the Target Property stated at GBP175,000,000 (equivalent to approximately HK\$1,760,045,000). The Directors consider that the terms of the Agreement are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

INFORMATION ON THE TARGET COMPANY AND THE TARGET PROPERTY

The Target Company is an investment holding company and the principal asset of the Target Company is the Target Property.

The Target Property is a mixed use building located in 11 and 12 St James's Square and 14 to 17 Ormond Yard, London, UK which is situated on a freehold land. The Target Property provides around 80,000 square feet grade A office accommodation arranged over lower ground, ground and 6 upper floors. The Target Property is fully multi-let with a current annual rental income of approximately GBP7,890,653 (equivalent to approximately HK\$79,359,000).

Financial information on the Target Company

A summary of the unaudited financial results of the Target Company for each of the two years ended 31 December 2015 and 2016 is set out below:-

	For the year ended 31 December 2015		For the year ended 31 December 2016	
	(GBP'000)	(HK\$'000)	(GBP'000)	(HK\$'000)
Unrealised gain (loss) on revaluation of investment properties	19,588	197,004	(14,412)	(144,947)
Profit (loss) before tax	22,103	222,299	(11,359)	(114,242)
Profit (loss) after tax	21,565	216,888	(11,982)	(120,508)

As at 31 March 2017, the unaudited net asset of the Target Company was approximately GBP95,338,294 (equivalent to approximately HK\$958,855,000).

The unaudited financial results of the Target Company for the year ended 31 December 2015 is prepared in accordance with IFRSs and the unaudited financial information of the Target Company for the year ended 31 December 2016 and the period ended 31 March 2017 are prepared on a consistent basis with that used in preparing the unaudited accounts of the Target Company for the year ended 31 December 2015.

The Company expects that there is no material principal difference between the accounting standards of the Company and the Target Company.

REASONS FOR THE ACQUISITION

The Acquisition is in line with the principal business of the Group in relation to property leasing. The Target Property will be held as investment property for long term capital growth and rental purpose. It is expected that the Target Property can generate a stable and recurrent income to the Group. It also enables the Group to expand and widen its presence in the property market and benefit the business development of the Group in UK.

INFORMATION ON THE GROUP AND THE PURCHASER

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

INFORMATION ON THE SELLER

The Seller is a company incorporated and registered in Jersey and is an investment holding company. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Seller and its ultimate beneficial owners are third parties independent of the Company and the connected person(s) of the Company.

GENERAL

As one of the applicable percentage ratios in respect of the transaction contemplated under the Agreement exceeds 5% but is less than 25%, the Agreement and the Acquisition constitute a discloseable transaction of the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares pursuant to the Agreement;
“Agreement”	a sale and purchase agreement between the Purchaser, the Seller and the Target Company in respect of the sale and purchase of the Sale Shares on 5 May 2017 (London time);
“Board”	the board of Directors;
“Business Day”	a day (other than Saturday or Sunday) which banks are open in London, Jersey, the British Virgin Islands, Hong Kong, Kuala Lumpur and Luxembourg for general banking business;
“Company”	Chinese Estates Holdings Limited (Stock Code: 127), a company incorporated in Bermuda with limited liability, whose shares are listed on the main board of the Stock Exchange;
“Completion”	the completion of the Agreement;
“Completion Accounts”	the balance sheet of the Target Company immediately prior to Completion to be prepared and finalised in accordance with the specific accounting policies as set out in the Agreement;
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;

“Consideration”	the consideration of the Acquisition;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“IFRSs”	International Financial Reporting Standards or International Accounting Standards issued or adopted and interpretations approved by the International Accounting Standards Board (or a predecessor body) and Standing Interpretations Committee interpretations approved by the predecessor International Accounting Standards Committee as and to the extent from time to time adopted by the European Commission under EU Regulation 1606/2002 and in force for the accounting period ended 31 December 2015;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange in force for the time being;
“Pro Forma Accounts”	the good faith best estimate pro forma balance sheet of the Target Company immediately prior to Completion prepared by the Seller in a form agreed by the parties;
“Purchaser”	Choice Leader Limited, a company incorporated in the British Virgin Islands with limited liability, being an indirect wholly-owned subsidiary of the Company;
“Shareholder Loans”	means: (a) the senior loan agreement dated 11 August 2011 between Kwasa Global (Jersey) Limited and the Target Company as subsequently amended and assigned to the Seller (as lender) on 27 September 2013; (b) the intercompany loan facility agreement dated 8 March 2017 between the Seller and the Target Company; and (c) any other loans made by any Seller’s Affiliate to the Target Company;
“Shareholder Loan Amount”	the total sum including principal and accrued or outstanding interest owing immediately prior to Completion by the Target Company to the Seller and/or any Seller’s Affiliate (having netted off all amounts owing by the Seller’s Affiliate to the Target Company) pursuant to the Shareholder Loans as shown in the Pro Forma Accounts or the Completion Accounts;
“Sale Shares”	the entire issued share capital of the Target Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“ Seller ”	Kwasa UK Duo Limited, which and the ultimate beneficial owners of which, to the best of the Directors’ knowledge, information and belief after having made all reasonable enquiries, are third parties independent of the Company and the connected person(s) of the Company;
“ Seller’s Affiliate ”	the Seller and all its subsidiary undertakings, all its holding companies or parent undertakings and all other subsidiary undertakings of each of its holding companies or parent undertakings, other than the Target Company;
“ Target Company ”	Knightlights Property International S.A., a société anonyme organised and existing under the laws of Luxembourg, which was wholly-owned by the Seller immediately prior to Completion;
“ Target Property ”	the freehold land and building located in 11 and 12 St James’s Square and 14 to 17 Ormond Yard, London, UK;
“ UK ”	the United Kingdom;
“ GBP ”	British Pounds, the lawful currency of UK;
“ HK\$ ”	Hong Kong dollars, the lawful currency of Hong Kong; and
“ % ”	per cent.

For illustration purpose of this announcement, save as otherwise stated herein, exchange rate of GBP1 = HK\$10.0574 has been used for conversion.

By order of the Board
Lam, Kwong-wai
Executive Director and Company Secretary

Hong Kong, 7 May 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.

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