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 a decline in the Revenue ranging from 12% to 22% and the Loss ranging from HK$345 million to HK$382 million for the Period, as compared with the revenue of HK$673 million and the consolidated net profit attributable to the owners of the Company of HK$2,563 million for the six months ended 30 June 2017. In addition, the Group may record a significant expense in the Total Comprehensive Expenses for the Period, as compared with the consolidated total comprehensive income attributable to the owners of the Company of HK$6,202 million for the six months ended 30 June 2017. Included in the Total Comprehensive Expenses is the significant other comprehensive expense in respect of unrealised loss on fair value change of the Evergrande Shares of approximately HK$5.9 billion.

The Company is in the process of finalising the Group's interim results for the Period. 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 interim results announcement which is expected to be published by late August 2018.

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 a decline in the revenue (the "**Revenue**") ranging from 12% to 22% and a consolidated net loss attributable to the owners of the Company (the "**Loss**") ranging from HK$345 million to HK$382 million for the six months ended 30 June 2018 (the "**Period**"), as compared with the revenue of HK$673 million and the consolidated net profit attributable to the owners of the Company of HK$2,563 million for the six months ended 30 June 2017.

Following are a number of reasons which led to a decline in the Revenue and resulted in the Loss:-

(1) Decrease in sales of trading properties. During the Period, sales of trading properties being comprised of a residential unit and parking spaces at 55 Conduit Road (70% interest) recorded approximately HK$274 million in the Revenue as compared with HK$426 million for the first half of 2017; and have contributed attributable profit (including share of results of associates) of approximately HK$129 million as compared with HK$159 million for the first half of 2017.

(2) Increase in rental revenue and net rental income. Following the acquisition of a building located in 11 and 12 St James's Square and 14 to 17 Ormond Yard, London, the United Kingdom in May 2017, it has contributed rental revenue and net rental income to the Group. During the Period, the Group's rental revenue has been increased ranging from 10% to 20% which led to the increase in net rental income for the Period when compared with that for the first half of 2017.

(3) Net loss from listed investments and treasury products at fair value through profit or loss. The Group has in the ordinary and normal course of business conducted its securities investment activities for years. During the Period, based on the preliminary assessment, it is expected that the Group would record a net loss of approximately HK$584 million from the segment of listed investments and treasury products at fair value through profit or loss as compared with that of a net profit of HK$1,083 million for the first half of 2017. Net (loss) profit from the segment of listed investments and treasury products at fair value through profit or loss 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 net finance costs. The result of a net loss was mainly attributable to, among others, the realised loss on disposals of bonds of approximately HK$5 million (2017: realised gain of HK$208 million) and the unrealised loss on fair value changes of bonds of approximately HK$868 million (2017: unrealised gain of HK$453 million) during the Period. The unrealised fair value change is a non-cash item and will not affect the cash flow of the Group.

(4) No dividend income from listed equity investments at fair value through other comprehensive income was recorded during the Period. In the first half of 2017, a net dividend income of HK$147 million (after withholding tax and transaction costs) from 577,180,500 H shares of Shengjing Bank Co., Ltd. (Stock Code: 2066) (the "**SJB Shares**") was recognised in profit/loss within the consolidated statement of comprehensive income. The segment of listed equity investments at fair value through other comprehensive income recorded a net loss of approximately HK$52 million (2017: net profit of HK$127 million) for the Period.

(5) No imputed interest income from deferred consideration receivables was recognised during the Period as compared with HK$762 million recorded in the first half of 2017.

(6) No gain on disposal of subsidiary during the Period. During the first half of 2017, the Group disposed of subsidiaries holding certain shops of Lowu Commercial Plaza located in Shenzhen, the People's Republic of China and subsidiaries holding a property development situated at No. 12 Shiu Fai Terrace, Mid-Levels East, Hong Kong (both were completed in February 2017) and recognised gain on disposals of subsidiaries in aggregate of HK$143 million.

(7) Loss on fair value changes on investment properties. The Group's investment properties were revalued as at 30 June 2018 and loss on fair value changes of approximately HK$23 million would be recorded for the Period as compared with the fair value as at 31 December 2017. The loss on fair value changes for the Period was mainly derived from decrease in fair value of River Court located in the United Kingdom while increase in fair value of Harcourt House. In the first half of 2017, gain on fair value changes on investment properties of HK$247 million was recorded. The fair value change is a non-cash item and will not affect the cash flow of the Group.

In addition to the decline in the Revenue and the Loss which constitute profit warning and inside information of this announcement, the Group may record a significant expense in the consolidated total comprehensive expenses attributable to the owners of the Company (the "**Total Comprehensive Expenses**") for the Period, as compared with the consolidated total comprehensive income attributable to the owners of the Company of HK$6,202 million for the six months ended 30 June 2017. Reference is made to the Company's announcement dated 3 July 2018 (the "**July Announcement**") that it is expected that the Group would record a significant other comprehensive expense attributable to the owners of the Company for the Period which represented unrealised loss on fair value change of the Evergrande Shares (as defined in the July Announcement) of approximately HK$5.9 billion (2017: realised gain on fair value change from disposal of the SJB Shares and unrealised gain on fair value change of the Evergrande Shares of HK$2.1 billion and HK$1.2 billion respectively). The unrealised fair value change is a non-cash item and will not affect the cash flow of the Group.

The Company is in the process of finalising the Group's interim results for the Period. 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 interim results announcement which is expected to be published by late August 2018.

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, 8 August 2018

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