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

DISCLOSEABLE TRANSACTION

SUBSCRIPTION OF NOTES

THE SUBSCRIPTION

The Board is pleased to announce that on 15 November 2019, the Subscriber (being an indirect wholly-owned subsidiary of the Company), the Issuer, the Subsidiary Guarantors and the Placing Agent entered into the Placement and Subscription Agreement, pursuant to which the Issuer has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for the Notes on a private placement basis in the principal amount of US\$100,000,000 (equivalent to approximately HK\$783,730,000) at the issue price of US\$98,287,000 (equivalent to approximately HK\$770,305,000), representing 98.287% of the principal amount of the Notes. The Closing Date of the Subscription is expected to fall on 26 November 2019.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of each of (i) the Subscription on a stand-alone basis; and (ii) the Subscription, when aggregated with the Existing Notes issued by the Issuer and purchased by the Group on market in September 2019 and October 2019 with the aggregate amount of US\$9,435,250, exceeds 5% but is less than 25%, the Subscription constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

THE PLACEMENT AND SUBSCRIPTION AGREEMENT

The Board is pleased to announce that on 15 November 2019, the Subscriber (being an indirect wholly-owned subsidiary of the Company), the Issuer, the Subsidiary Guarantors and

the Placing Agent entered into the Placement and Subscription Agreement, pursuant to which the Issuer has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for the Notes on a private placement basis in the principal amount of US\$100,000,000 (equivalent to approximately HK\$783,730,000) at the issue price of US\$98,287,000 (equivalent to approximately HK\$770,305,000), representing 98.287% of the principal amount of the Notes. The Closing Date of the Subscription is expected to fall on 26 November 2019. A summary of the principal terms of the Placement and Subscription Agreement and the subject Notes is set out below.

The principal terms of the Placement and Subscription Agreement are set out below:-

Date

15 November 2019

Parties

- (a) Zhongliang Holdings, as the Issuer;
- (b) Heng Rong, as a Subsidiary Guarantor;
- (c) Zhongliang Hongkong, as a Subsidiary Guarantor;
- (d) Zhongliang International, as a Subsidiary Guarantor;
- (e) Ample Sino, as a Subsidiary Guarantor;
- (f) UBS HK, as the Placing Agent; and
- (g) Chase Master, as the Subscriber.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Issuer, the Subsidiary Guarantors, the Placing Agent and their respective ultimate beneficial owners is an Independent Third Party.

Subject matter

Pursuant to the Placement and Subscription Agreement, the Issuer has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe, the Notes in the principal amount of US\$100,000,000 (equivalent to approximately HK\$783,730,000) at the issue price of US\$98,287,000 (equivalent to approximately HK\$770,305,000), representing 98.287% of the principal amount of the Notes.

Conditions precedent

The obligations of the Placing Agent and the Subscriber to place and subscribe for the Securities are subject to and conditional upon, among other things:

- (a) the representations and warranties of the Issuer and the Subsidiary Guarantors contained in the Placement and Subscription Agreement shall be true and correct as of the date in the Placement and Subscription Agreement and on and as of the Closing Date;

(b) subsequent to the execution and delivery of the Placement and Subscription Agreement, there shall not have occurred any change, or any development involving a prospective change, in the condition (financial or otherwise), prospects, results of operations, business, properties, management or general affairs of the Issuer, the Subsidiary Guarantors and the other subsidiaries of the Issuer, taken as a whole, that, in the reasonable judgment of the Placing Agent, is material and adverse and that makes it, in the reasonable judgment of the Placing Agent, inadvisable to proceed with the placement and issuance of the Securities on the terms and in the manner contemplated in under the Placement and Subscription Agreement, and the Placing Agent and the Subscriber shall have received on the Closing Date a certificate, dated the Closing Date and signed by an executive officer of each of the Issuer and the Subsidiary Guarantors to such effect and that the representations and warranties of the Issuer and the Subsidiary Guarantors contained in the Placement and Subscription Agreement are true and correct as of the Closing Date and that the Issuer and the Subsidiary Guarantors have complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied hereunder on or before the Closing Date in the form set forth in the Placement and Subscription Agreement;

(c) immediately after the consummation of any or all of the Concurrent Transactions and the placement and subscription under the Placement and Subscription Agreement on the Closing Date, the aggregate principal amount of the Concurrent Issue and the Securities shall be no less than US\$100,000,000;

(d) each of the Issuer and the Subsidiary Guarantors shall have provided to the Placing Agent and the Subscriber, board resolutions or shareholders' resolutions, if applicable, approving, among other things, the issuance of the Notes by the Issuer or the relevant Subsidiary Guarantee by the relevant Subsidiary Guarantor (as the case may be) and the execution by the Issuer or such Subsidiary Guarantor (as the case may be) of the Transaction Documents to which it is a party;

(e) the Indenture and the Securities shall have been duly executed and delivered and shall be in full force and effect, and true and complete copies thereof shall have been delivered to the Placing Agent and the Subscriber; and

(f) the Issuer and the Subsidiary Guarantors shall have provided the Placing Agent and the Subscriber with such other certificates, letters and documents relating to the transactions contemplated hereby as the Placing Agent and the Subscriber may reasonably request.

If any of the conditions to the Subscription have not been fulfilled when and as required under the Placement and Subscription Agreement (unless waived), all obligations of the Placing Agent and the Subscriber under the Placement and Subscription Agreement may be cancelled by the Placing Agent and the Subscriber (jointly or severally) at, or at any time prior to, the Closing Date by notice in writing to the Issuer.

Completion

Completion of the Subscription shall take place on the Closing Date.

THE NOTES

The principal terms and conditions of the Notes as set forth in the Indenture are summarised as follows:-

- Issuer** : Zhongliang Holdings Group Company Limited
- Notes** : US\$100,000,000 9.75% senior notes due 2020
- Issue Price** : US\$98,287,000, representing 98.287% of the principal amount of the Notes
- Interest** : 9.75% per annum payable in arrears on 26 May 2020 and 24 November 2020.
- Form and Denomination** : The Notes will be issued in registered form and in denomination of US\$200,000 each and integrals multiples of US\$1,000 in excess thereof.
- Restriction on Transfer** : The Issuer shall not be required to exchange or register a transfer of (1) any Notes for a period of 15 days immediately preceding the first mailing of notice of redemption of the Notes to be redeemed or (2) any Notes called or being called for redemption.
- Maturity Date** : 24 November 2020 (unless earlier redeemed in accordance with the terms of the Notes)
- Ranking of the Notes** : The Notes are (a) general obligations of the Issuer, guaranteed by the Subsidiary Guarantors on a senior basis, but the obligations of each Subsidiary Guarantor are limited to an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it related to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally, (b) senior in right of payment to any existing and future obligations of the Issuer expressly subordinated in right of payment to the Notes; (c) at least pari passu in right of payment with the Existing Notes and all other unsecured, unsubordinated indebtedness of the Issuer (subject to any priority rights of such unsecured and unsubordinated indebtedness pursuant to applicable law), (d) effectively subordinated to the secured obligations (if any) of the Issuer, the Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor, and (e) effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined in the Indenture).

Redemption

: Redemption for Taxation Reasons

The Notes may be redeemed, at the option of the Issuer (or any person (if other than the Issuer) formed by consolidation or merger or that acquired or leased such property and assets of the Issuer and any restricted subsidiary of the Issuer (the “**Surviving Person**”)), in whole but not in part, upon giving not less than 30 days’ nor more than 60 days’ notice to the holders (which notice shall be irrevocable) and the trustee of the Indenture, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any additional amounts to make up for any withholding or deduction required by law or by regulation or governmental policy having the force of law (the “**Additional Amounts**”)), if any, to (but not including) the date fixed by the Issuer or the Surviving Person, as the case may be, for redemption (the “**Tax Redemption Date**”) if, as a result of:

- i. any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a jurisdiction in which the Issuer, a Surviving Person or an applicable Subsidiary Guarantor is organized or resident for tax purposes (or any political subdivision or taxing authority thereof or therein), including, without limitation, if applicable, the PRC (each, as applicable, a “**Relevant Jurisdiction**”) affecting taxation; or
- ii. any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment becomes effective (or in the case of an official position, is announced) (i) with respect to the Issuer or any initial Subsidiary Guarantor, on or after the Original Issue Date, or (ii) with respect to any future Subsidiary Guarantor that guarantees the Notes after the Original Issue Date (the “**Future Subsidiary Guarantor**”) or Surviving Person, on or after the date such Future Subsidiary Guarantor or Surviving Person becomes a Subsidiary Guarantor or Surviving Person, with respect to any payment due or to become due under the Notes or the Indenture, the Issuer, a Surviving Person or a Subsidiary Guarantor as the case may be, is, or on the next Interest Payment Date would be, required to pay

Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Issuer, a Surviving Person or a Subsidiary Guarantor, as the case may be; provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer, a Surviving Person or a Subsidiary Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Optional Redemption

- (a) At any time prior to 24 November 2020, the Issuer may, at its option, redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the applicable premium (as specified in the Indenture) as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.
- (b) At any time and from time to time prior to 24 November 2020, the Issuer may, at its option, redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds of one or more sales of common stock of the Issuer in an equity offering at a redemption price of 109.75% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date (including the aggregate principal amount of any Additional Notes on the date on which such Additional Notes were issued) remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

Repurchase of Notes upon a Change of Control : Upon the occurrence of a change of control of the Issuer as specified in the Indenture, the Issuer shall within 30 days make an offer to purchase all the outstanding Notes at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest (if any).

Events of Default : The events of default under the Notes include, among others:

- (a) default in the payment of principal of (or premium (if any) on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;

- (b) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;
- (c) default in the performance or breach of certain covenants under the Indenture relating to consolidation, merger and sale of assets or the failure by the Issuer to make or consummate an offer to purchase in the manner described in the Indenture, or the failure by the Issuer to make or consummate an offer to purchase the Notes upon a change of control event or in any asset sale in the manner described under the Indenture;
- (d) the Issuer or any restricted subsidiary of the Issuer defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in items (a), (b) or (c) above) and such default or breach continues for a period of 30 consecutive days after written notice by the trustee of the Indenture or the holders of 25% or more in aggregate principal amount of the Notes;
- (e) there occurs with respect to any indebtedness of the Issuer or any restricted subsidiary of the Issuer having an outstanding principal amount of US\$30,000,000 (or the dollar equivalent thereof) or more in the aggregate for all such indebtedness of all such persons, whether such indebtedness now exists or shall hereafter be created, (i) an event of default that has caused the holder thereof to declare such indebtedness to be due and payable prior to its stated maturity and/or (ii) the failure to make a principal or interest payment when due;
- (f) one or more final judgments or orders for the payment of money are rendered against the Issuer or any of the restricted subsidiaries of the Issuer and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such persons to exceed US\$30,000,000 (or the dollar equivalent thereof) (in excess of amounts which the Issuer's insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

- (g) an involuntary case or other proceeding is commenced against the Issuer or any significant subsidiary of the Issuer with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Issuer or any significant subsidiary of the Issuer or for any substantial part of the property and assets of the Issuer or any significant subsidiary of the Issuer and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Issuer or any significant subsidiary of the Issuer under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;
- (h) the Issuer or any significant subsidiary of the Issuer (i) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (ii) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Issuer or any significant subsidiary of the Issuer or for all or substantially all of the property and assets of the Issuer or any significant subsidiary of the Issuer or (iii) effects any general assignment for the benefit of creditors; (other than, in each case under item (b) above, any of the foregoing that arises from any solvent liquidation or restructuring of a significant subsidiary of the Issuer in the ordinary course of business that shall result in the net assets of such significant subsidiary being transferred to or otherwise vested in the Issuer or any significant subsidiary of the Issuer on a pro rata basis or on a basis more favourable to the Issuer); or
- (i) any Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or, except as permitted by the Indenture, any Subsidiary Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect.

Listing

- : Unlisted but will be admitted to and trades settled through Euroclear Bank SA/NV and Clearstream Banking, S.A.

INFORMATION ON THE COMPANY AND THE ISSUER

The Company is a company incorporated in Bermuda with limited liability and, together with its subsidiaries, are principally engaged in property investment and development, brokerage, securities investment, money lending, and cosmetics distribution and trading, and has in the ordinary and usual course of business conducted its securities investment activities for years.

To the best of the Directors' knowledge and information, the Issuer is a company incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of the Stock Exchange. The Issuer together with its subsidiaries are principally engaged in property development, property leasing, and providing property management services and management consulting services.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The Company intends to acquire the Notes for investment purpose and the Board considers that the Subscription will provide the Group with an opportunity to enhance investment income during the prevailing low-interest environment. The issue price for subscription of the Notes and the interest rate of the Notes were determined after arm's length negotiations between the Subscriber and the Issuer with reference to the prevailing market price of debt instruments. The Group intends to fund the Subscription by its internal resources and bank borrowings.

In view of the above, the Directors consider that the terms of the Placement and Subscription Agreement and the Notes are fair and reasonable and are on normal commercial terms and the Subscription is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of each of (i) the Subscription on a stand-alone basis; and (ii) the Subscription, when aggregated with the Existing Notes issued by the Issuer and purchased by the Group on market in September 2019 and October 2019 with the aggregate amount of US\$9,435,250, exceeds 5% but is less than 25%, the Subscription constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

DEFINITIONS

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

“Additional Notes”	any additional notes having the same terms and conditions as the Notes and covenants described in the Indenture, which may be created and issued by the Issuer from time to time;
“Ample Sino”	Ample Sino Investments Limited (華溢投資有限公司), a company incorporated in the BVI with limited liability;
“Board”	the board of Directors;
“BVI”	the British Virgin Islands;
“Closing Date” or “Original Issue Date”	26 November 2019 or such other date as shall be agreed among the Issuer, the Placing Agent and the Subscriber;
“Company”	Chinese Estates Holdings Limited (Stock Code: 127), a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange;
“Concurrent Transactions”	the selling of securities (to be guaranteed by the Subsidiary Guarantors) which shall be consolidated and form a single series with the Securities (such securities, the “Concurrent Issue”), to other subscribers, the settlement of which is expected to occur simultaneously with the settlement of the Securities on the Closing Date;
“connected person(s)”	has the meaning ascribed to it in the Listing Rules;
“Director(s)”	director(s) of the Company;
“Existing Notes”	the US\$300,000,000 11.5% senior notes due 2021 issued by the Issuer on 26 September 2019 and the US\$100,000,000 11.5% senior notes due 2021 issued by the Issuer on 10 October 2019 pursuant to an indenture dated as of 26 September 2019 (as such may be amended, supplemented or modified from time to time) which are listed on the Stock Exchange;

“Group”	the Company and its subsidiaries;
“Heng Rong”	Heng Rong Co., Limited (恒融國際有限公司), a company incorporated in Hong Kong with limited liability;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Indenture”	the instrument to be entered into among the Issuer, the Subsidiary Guarantors as guarantors and China Construction Bank (Asia) Corporation Limited as trustee, that specifies the terms and conditions of the Notes including the covenants, events of default, interest rate and the maturity date of the Notes;
“Independent Third Party”	a person or a company which is a third party independent of the Company and its connected person(s) (as defined under the Listing Rules);
“Interest Payment Date”	26 May 2020 and 24 November 2020;
“Issuer” or “Zhongliang Holdings”	Zhongliang Holdings Group Company Limited (中梁控股集團有限公司) (Stock Code: 2772), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Notes”	the US\$100,000,000 9.75% Senior Notes due 2020 to be constituted by the Indenture and to be issued by the Issuer to the Subscriber pursuant to the Placement and Subscription Agreement;
“Placement and Subscription Agreement”	the placement and subscription agreement dated 15 November 2019 entered into among the Issuer, the Subscriber, the Subsidiary Guarantors and the Placing Agent;
“Placing Agent” or “UBS HK”	UBS AG Hong Kong Branch, UBS AG is a company incorporated in Switzerland with limited liability and an Independent Third Party;

“PRC”	the People’s Republic of China;
“Securities”	the Notes and the Subsidiary Guarantees;
“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);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscriber” or “Chase Master”	Chase Master Company Limited (翠權有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company;
“Subscription”	the proposed subscription of the Notes by the Subscriber pursuant to the terms and conditions of the Placement and Subscription Agreement;
“Subsidiary Guarantee(s)”	guarantee(s) for the Notes to be provided by the Subsidiary Guarantor(s);
“Subsidiary Guarantor(s)”	collectively Heng Rong, Zhongliang Hongkong, Zhongliang International and Ample Sino, and each a “ Subsidiary Guarantor ”;
“Transaction Documents”	collectively the Placement and Subscription Agreement, the Indenture and the Securities, as each may be amended or supplemented up to the Closing Date;
“US\$”	United States dollars, the lawful currency of the United States;
“Zhongliang Hongkong”	Zhongliang Hongkong Property Investment Group Co., Limited (中梁香港地產投資集團有限公司), a company incorporated in Hong Kong with limited liability;
“Zhongliang International”	Zhongliang International Development Company Limited (中梁國際發展有限公司), a company incorporated in the BVI with limited liability; and
“%”	per cent.

For the purpose of this announcement, the conversion of US\$ into HK\$ is based on the exchange rate of US\$1 to HK\$7.8373 for illustration purpose only.

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

Hong Kong, 26 November 2019

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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