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CHINESE ESTATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 127)

DISCLOSEABLE TRANSACTION

**ACQUISITION OF THE REMAINING 49% INTEREST IN
LANDRICH (H.K.) LIMITED**

THE ACQUISITION

On 10 January 2020, the Purchaser, being an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor, pursuant to which the Purchaser has conditionally agreed to acquire the Sale Shares (representing 49% of the entire issued share capital of the Target Company) and the Sale Loan and the Vendor has conditionally agreed to sell the Sale Shares and procure Full Profit to sell the Sale Loan. Completion shall take place on 28 February 2020 (or such later date as the parties to the Agreement may agree in writing).

The principal asset of the Target Company is the Target Property (i.e. Tsuen Wan Town Lot No.128 situated at Nos.14-18 Ma Kok Street, Tsuen Wan, New Territories, Hong Kong and the building erected thereon). After Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results, assets and liabilities of the Target Company will be consolidated in the consolidated financial statements of the Group.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transaction contemplated under the Agreement, on an aggregated basis with the First Allotment and the Second Allotment, exceeds 5% but is less than 25%, the Agreement and the Acquisition constitute a discloseable transaction for the Company and are therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

THE ACQUISITION

On 10 January 2020, the Purchaser, being an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor, pursuant to which the Purchaser has conditionally

agreed to acquire the Sale Shares (representing 49% of the entire issued share capital of the Target Company) and the Sale Loan and the Vendor has conditionally agreed to sell the Sale Shares and procure Full Profit to sell the Sale Loan. The principal terms of the Agreement are set out below:-

Date

10 January 2020

Parties

- (a) The Vendor; and
- (b) The Purchaser.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Vendor is an Independent Third Party.

Subject matter

Immediately prior to Completion, the Vendor legally and beneficially owns 49% of the entire issued share capital of the Target Company. Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire the Sale Shares and the Sale Loan and the Vendor has conditionally agreed to sell the Sale Shares and procure Full Profit to sell the Sale Loan subject to the terms of the Agreement. The principal asset of the Target Company is the Target Property. As at the date of the Agreement, the Sale Loan is owing by the Target Company to Full Profit.

As at the date of the Agreement, the Purchaser holds 510 ordinary shares of the Target Company, representing 51% of the entire issued share capital of the Target Company and the Target Company is accounted for as a joint venture of the Purchaser. After Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results, assets and liabilities of the Target Company will be consolidated in the consolidated financial statements of the Group.

Consideration

The Consideration payable by the Purchaser shall be calculated as follows and subject to a maximum amount of HK\$360,000,000:-

- (a) the consideration for the Sale Shares = (HK\$900,000,000 + the aggregate amount of total assets of the Target Company (other than the agreed value of the Target Property) as shown in the Completion Accounts - the aggregate amount of total liabilities of the Target Company as shown in the Completion Accounts) x 49%; and
- (b) the consideration for the Sale Loan shall be the face value of the Sale Loan on a dollar to dollar basis.

The parties to the Agreement agreed and accepted that in preparing the Completion Accounts, (i) the Target Property shall have an agreed value of HK\$900,000,000; and (ii) no prepaid expenses or expenditures relating to the development of the Target Property shall be recognised as

prepayments (which in turn will be excluded from total assets of the Target Company) in the Completion Accounts.

A deposit of HK\$150,000,000, which will be applied towards settlement of the Consideration, was paid by the Purchaser to the Vendor on the date of the Agreement as deposit and security for the performance of its obligations pending for Completion. If any of the conditions precedent shall not have been satisfied on or before 5:00 p.m. Hong Kong time on the Long Stop Date, or Completion does not proceed for whatever reason, the Vendor shall return the deposit of HK\$150,000,000 together with interest thereon to the Purchaser within 7 Business Days after termination of the Agreement and no party shall have any claim against the other save for claim (if any) on any antecedent breach.

Balance of the Consideration after deducting the deposit of HK\$150,000,000 (without interest) will be paid in cash by the Purchaser to the Vendor upon Completion.

Basis of the Consideration

The Consideration was arrived at after arm's length negotiations between the parties to the Agreement and determined with reference to the agreed value of the Target Property of HK\$900,000,000 and the face value of other assets and liabilities of the Target Company. The Directors have also taken into consideration a property valuation report prepared by an independent property valuer on the Target Property with a market value of HK\$900,000,000 as at 9 January 2020 and therefore considered that the Consideration subject to a maximum amount of HK\$360,000,000 is fair and reasonable.

The Consideration will be settled in cash and be fully funded by internal resources and bank borrowings of the Group.

Conditions precedent

The obligations of the parties to the Agreement to effect Completion shall be conditional upon:-

- (1) the Purchaser having completed the due diligence review on the business, financial, legal and other aspects of the Target Company and the Target Property and being reasonably satisfied with the results thereof;
- (2) the Purchaser being reasonably satisfied at any time before the Completion that the representations, warranties and undertakings given by the Vendor in the Agreement remain true, accurate and not misleading in all material respects and that no events have occurred that would result in any material breach of any of the representations, warranties and undertakings given by the Vendor or other provisions of the Agreement by the Vendor;
- (3) there being no material adverse change regarding the financial position, business or prospects or results of operations of the Target Company as a whole up to Completion; and
- (4) the obtaining of all necessary consents and waiver from the mortgagee bank of the Target Property for the consummation of the transactions contemplated under the Agreement and the fulfilment of all conditions specified therein.

Completion

Completion of the sale and purchase of the Sale Shares and the assignment of the Sale Loan shall take place simultaneously on the Completion Date.

Pre-completion undertakings

The Vendor and the Purchaser have given certain customary pre-completion undertakings in relation to the state of affairs of the Target Company for agreement of similar nature and size in the Agreement.

Warranties and indemnities

The Vendor has given certain customary warranties in relation to the Target Company, the Target Property, the Sale Shares and the Sale Loan for agreement of similar nature and size in the Agreement. A deed of indemnity will be signed by the Vendor in favour of the Purchaser upon the Completion Date, pursuant to which, the Vendor undertakes, among others, to indemnify and keep indemnified the Purchaser (for itself and as trustee for the Target Company) against 49% of all taxes falling on the Target Company resulting from any event occurring or transaction entered into on or before the Completion Date or in respect of any income, profits or gains earned, accrued or received by the Target Company on or before the Completion Date.

The liabilities of the Vendor in respect of all claims for breach of any warranties given under the Agreement shall not exceed the amount of the Consideration. In addition, the liabilities of the Vendor under the Agreement in respect of breach of any of the warranties are subject to certain time limitation as prescribed under the Agreement.

Existing contracts

As at the date of the Agreement, there are certain consultancy and services contracts entered into by Stan Group (Holdings) Limited (an affiliated company of the Vendor) with professionals and consultants in respect of the redevelopment of the Target Property in an aggregate contract sum of HK\$11,198,000. Pursuant to the Agreement, the Vendor shall procure Stan Group (Holdings) Limited to assign these contracts to the Purchaser or such other party as nominated by the Purchaser at no consideration upon the Completion Date.

Costs and expenses

Each party to the Agreement shall bear his/its own costs and expenses in relation to the Agreement. All stamp duty payable in respect of the transfer of the Sale Shares shall be borne by the Vendor and the Purchaser in equal shares.

INFORMATION ON THE TARGET COMPANY AND THE TARGET PROPERTY

The Target Company is engaged in property investment and the principal asset of the Target Company is the Target Property.

As at the date of the Agreement, the Purchaser holds 510 ordinary shares of the Target Company which were acquired by the Purchaser as a result of (a) the subscription of 50 ordinary shares of the Target Company in the First Allotment which took place in March 2018; and (b) the

subscription of 460 ordinary shares of the Target Company in the Second Allotment which took place in December 2019. Immediately after the First Allotment but before the Second Allotment, the equity interest of the Purchaser in the Target Company was 50%. Immediately after the Second Allotment, the equity interest of the Purchaser in the Target Company is 51%. Notwithstanding that the Purchaser holds more than 50% equity interest in the Target Company immediately after the Second Allotment, the Purchaser does not have control over the Target Company. As such, the Target Company is accounted for as a joint venture of the Purchaser and not considered as a subsidiary of the Group. The financial results, assets and liabilities of the Target Company are not consolidated in the consolidated financial statements of the Group.

A summary of the audited financial information of the Target Company for the period from 29 March 2017 to 31 December 2017 and the year ended 31 December 2018 prepared in accordance with Hong Kong Financial Reporting Standards is set out below:-

	For the period from 29 March 2017 (date of incorporation) to 31 December 2017 (audited) HK\$'000	For the year ended 31 December 2018 (audited) HK\$'000
Fair value changes on investment properties	938	(4,000)
Profit before tax	2,515	6,579
Profit after tax	2,254	4,999

As at 30 November 2019, the unaudited net asset value of the Target Company was approximately HK\$10,105,000.

The Target Property is Tsuen Wan Town Lot No.128 situated at Nos.14-18 Ma Kok Street, Tsuen Wan, New Territories, Hong Kong and the building erected thereon. As at the date of this announcement, the Target Property is being redeveloped and will have a total gross floor area of approximately 228,000 square feet for industrial use upon completion of the redevelopment. The redevelopment is expected to be completed by end of 2024.

INFORMATION ON THE VENDOR AND FULL PROFIT

The Vendor is an active investor in the property investment and development market in Hong Kong and is a director of the Target Company.

Full Profit is a company incorporated in Hong Kong with limited liability (of which the Vendor is the ultimate beneficial owner) and is a creditor of the Target Company. The principal business of Full Profit is investment holding and it has provided the Sale Loan to the Target Company. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Full Profit is an Independent Third Party.

INFORMATION ON THE GROUP AND THE PURCHASER

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.

The Purchaser is an investment holding company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Acquisition forms part of the property investment and development activities of the Group and will allow the Group to secure control over the Target Company and benefit from the growth in the market of modern and new industrial buildings.

In view of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Agreement are fair and reasonable and are on normal commercial terms and the Acquisition is in the interests of the Company and the shareholders of the Company 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 the transaction contemplated under the Agreement, on an aggregated basis with the First Allotment and the Second Allotment, exceeds 5% but is less than 25%, the Agreement and the Acquisition constitute a discloseable transaction for the Company and are therefore 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 out below:-

- “Acquisition”** the acquisition of the Sale Shares and the Sale Loan pursuant to the Agreement;
- “Agreement”** the sale and purchase agreement between the Vendor and the Purchaser in respect of the sale and purchase of the Sale Shares and the Sale Loan dated 10 January 2020;
- “Board”** the board of Directors;
- “Business Day(s)”** any day(s) (except any Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are open for business throughout their normal business hours;
- “BVI”** the British Virgin Islands;
- “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;
- “Completion”** the completion of the sale and purchase of the Sale Shares and the Sale Loan in accordance with the terms of the Agreement;

“Completion Accounts”	the management accounts of the Target Company prepared in accordance with Hong Kong Financial Reporting Standards and accounting principles generally accepted in Hong Kong and (to the extent applicable) comply with the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and all other applicable legislation (subject to the requirements set out in the Agreement) and to be agreed and accepted by the Purchaser, comprising (a) the unaudited statement of financial position (consolidated or otherwise) as at the Completion Date; and (b) the unaudited statement of comprehensive income (consolidated or otherwise) for the period from 1 January 2020 up to and inclusive of the Completion Date;
“Completion Date”	28 February 2020 (or such later date as the parties to the Agreement may agree in writing);
“connected person(s)”	has the meaning ascribed to it in the Listing Rules;
“Consideration”	the consideration for the Acquisition;
“Director(s)”	director(s) of the Company;
“First Allotment”	the allotment of 99 ordinary shares by the Target Company in March 2018, of which the Vendor (who owned 1 ordinary share before the First Allotment) subscribed for 49 ordinary shares of the Target Company while the Purchaser subscribed for 50 ordinary shares of the Target Company;
“Full Profit”	Full Profit Trading Limited, a company incorporated in Hong Kong with limited liability (of which the Vendor is the ultimate beneficial owner) and is a creditor of the Target Company;
“Group”	the Company and its subsidiaries;
“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 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);
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	14 February 2020 (or such later date as the parties to the Agreement may agree in writing);

“Purchaser”	Current Sino Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company;
“Sale Loan”	HK\$158,649,039, the entire sum owing by the Target Company to Full Profit as at the date of the Agreement and as at Completion;
“Sale Shares”	490 ordinary shares of the Target Company legally and beneficially owned by and registered in the name of the Vendor, representing 49% of the entire issued share capital of the Target Company;
“Second Allotment”	the allotment of 900 ordinary shares by the Target Company in December 2019, of which the Vendor subscribed for 440 ordinary shares of the Target Company while the Purchaser subscribed for 460 ordinary shares of the Target Company;
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	Landrich (H.K.) Limited, a company incorporated in Hong Kong with limited liability;
“Target Property”	Tsuen Wan Town Lot No.128 situated at Nos.14-18 Ma Kok Street, Tsuen Wan, New Territories, Hong Kong and the building erected thereon;
“Vendor”	Mr. Tang Shing Bor, an Independent Third Party; and
“%”	per cent.

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

Hong Kong, 10 January 2020

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>