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CHINESE ESTATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 127)

MAJOR TRANSACTION IN RELATION TO THE DISPOSAL

THE DISPOSAL

On 14 August 2024 (after trading hours), the Vendor (an indirect wholly-owned subsidiary of the Company) and the Purchaser (an Independent Third Party) entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has agreed to acquire, and the Vendor has agreed to sell, the Sale Share representing the entire issued share capital of the Target Company with full title guarantee and free from any encumbrance and with all rights attached or accruing to them at or after the Completion Date. As part of the Disposal, the Purchaser has also agreed to repay the Bank Debt and the Intra Group Debt on behalf of the Target Company at Completion. The total consideration for the Disposal shall be the aggregate of the Share Consideration and the Debt Consideration. Assuming the Share Consideration is the same as the Provisional Share Consideration, the total consideration for the Disposal will be GBP125,390,712.58 (equivalent to approximately HK\$1,258.4 million).

Completion has taken place immediately after signing of the Sale and Purchase Agreement. At Completion, the Purchaser has paid the Provisional Share Consideration and the Debt Consideration. The Balancing Amount, being the difference (if any) between the Share Consideration and the Provisional Share Consideration, will be settled after Completion pursuant to the terms of the Sale and Purchase Agreement.

Upon Completion, the Target Company has ceased to be a subsidiary of the Company and the financial results, assets and liabilities of the Target Company will no longer be included 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 Disposal exceed 25% but are less than 75%, the Disposal therefore constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and shareholders' approval requirements under the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Disposal and accordingly, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for approving the Disposal.

On the date of signing of the Sale and Purchase Agreement, the Company has obtained a written approval for the Disposal from the Relevant Shareholders, being a closely allied group of Shareholders which together are beneficially interested in 1,430,700,768 Shares, representing approximately 74.99% of the issued share capital of the Company as at the date of the written shareholders' approval, carrying rights to vote at a general meeting of the Company. As the above written shareholders' approval can be accepted in lieu of holding a general meeting of the Company pursuant to Rule 14.44 of the Listing Rules, no general meeting would be held by the Company to approve the Disposal.

DESPATCH OF CIRCULAR

Pursuant to Rule 14.41(a) of the Listing Rules, if the Disposal approved by written shareholders' approval is accepted in lieu of holding a general meeting of the Company pursuant to Rule 14.44 of the Listing Rules, the Company would be required to despatch a circular containing, among other things, further details of the Disposal to the Shareholders within 15 business days after publication of this announcement, that is, on or before 5 September 2024.

In the event that the Company is unable to despatch the circular within such period due to the time required to prepare the relevant financial and other information to be included in the circular under the Listing Rules, the Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules and will make a further announcement of the expected despatch date of the circular in due course.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company, and are recommended to consult their professional advisers if they are in any doubt of their position and as to actions that they should take.

THE DISPOSAL

On 14 August 2024 (after trading hours), the Vendor (an indirect wholly-owned subsidiary of the Company) and the Purchaser (an Independent Third Party) entered into the Sale and Purchase Agreement.

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are set forth below:

- Date** : 14 August 2024 (after trading hours)
- Parties** : (1) the Vendor, an indirect wholly-owned subsidiary of the Company;
and
(2) the Purchaser, an Independent Third Party.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, the Purchaser and its ultimate beneficial owner(s) are Independent Third Parties.

Assets to be disposed of

Pursuant to the Sale and Purchase Agreement, the Vendor has agreed to sell, and the Purchaser has agreed to acquire, the Sale Share representing the entire issued share capital of the Target Company, with full title guarantee and free from any encumbrance and with all rights attached or accruing to them at or after the Completion Date. As part of the Disposal, the Purchaser has also agreed to repay the Bank Debt and the Intra Group Debt on behalf of the Target Company at Completion.

Consideration and Payment Terms

The total consideration for the Disposal shall be the aggregate of the Share Consideration and the Debt Consideration.

The Share Consideration shall be the Final NAV and shall be paid as follows :

- (1) on Completion, the Purchaser will pay (a) the Completion Payment to the Vendor and (b) the Initial Escrow Funds to the Purchaser's solicitors to be held subject to the Escrow Undertaking; and
- (2) the Balancing Amount will be paid by the Purchaser or the Vendor (as the case may be) within 10 Business Days of the Balancing Amount having become final and binding pursuant to the terms of the Sale and Purchase Agreement.

The Debt Consideration equals to the aggregate amount of the Bank Debt and the Intra Group Debt, which the Purchaser has agreed to repay on behalf of the Target Company to its respective creditors at Completion.

The total consideration for the Disposal (including the Share Consideration and the Debt Consideration) were established after arm's length negotiations between the Parties, based on normal commercial terms. It reflects an agreed value of the Target Property of GBP126.2 million (equivalent to approximately HK\$1,266.5 million) between the Parties. This agreed value was determined with reference to the appraised value of the Target Property in its existing state at GBP125.0 million (equivalent to approximately HK\$1,254.5 million) as of 5 August 2024. The appraisal was conducted by an independent professional valuer engaged by the Group.

To ensure commercial certainty, the Parties agreed that the Share Consideration shall not in any event exceed the Share Cap. The Share Cap, which was determined on the basis of the Estimated NAV together with a reasonable buffer, would be a fairly close estimation to the Share Consideration, being the Final NAV. This Share Cap together with the Debt Consideration, in a total amount of GBP127,207,429.58 (equivalent to approximately HK\$1,276.6 million), represent the maximum aggregate amount of consideration payable for the Disposal and can serve as a reasonable reference to the size of the Disposal.

The Directors consider that the basis of total consideration for the Disposal (including the Share Consideration, the Share Cap and the Debt Consideration) is fair and reasonable, and it is the

appropriate time for the Group to dispose the Target Company and realise its return from the investment.

Payment of Balancing Amount

The Vendor shall prepare and deliver to the Purchaser a draft Completion Statement for review within 40 Business Days after the Completion Date. The draft Completion Statement will be agreed (or deemed to be agreed) as final and binding on both the Purchaser and the Vendor if the Purchaser confirms acceptance (or if the Purchaser does not give any notice to the otherwise) prior to expiry of the date falling 40 Business Days after delivery of the same to the Purchaser. In the event that the Purchaser does not accept the draft Completion Statement and if no agreement could be reached as to the adjustments (if any) to be made thereto within 10 days after the notice of non-acceptance by the Purchaser, an independent expert should be engaged to make the determination.

Within 10 Business Days after the Completion Statement is agreed (or deemed to be agreed) or finally determined:

- (1) if the Final NAV is greater than the Estimated NAV, the Purchaser shall pay to the Vendor in cash an amount equal to the Balancing Amount; and
- (2) if the Final NAV is less than the Estimated NAV, the Vendor shall pay to the Purchaser in cash an amount equal to the Balancing Amount.

Completion

Completion has taken place immediately after the signing of the Sale and Purchase Agreement.

At Completion, the Purchaser has paid the Provisional Share Consideration and the Debt Consideration to the respective parties as stated in the paragraph headed “Consideration and Payment Terms” above. The Balancing Amount will be settled after Completion pursuant to the terms of the Sale and Purchase Agreement as stated in the paragraph headed “Consideration and Payment Terms” above.

Separately, the Vendor has covenanted with the Purchaser to pay all contingent withholding tax liabilities arising from interest payment relating to the Bank Debt prior to Completion (and all reasonably and properly incurred costs of the Purchaser and the Target Company in relation thereto) (the “**Liabilities**”). As security for payment of the Liabilities, the Initial Escrow Funds have been deducted from the Provisional Share Consideration and paid to the Purchaser’s solicitors at Completion, subject to an undertaking from the Purchaser’s solicitors that from Completion, the Initial Escrow Funds will be held by the Purchaser’s solicitors pending appointment of the Escrow Agent by both Parties within four weeks from the Completion Date (the “**Escrow Undertaking**”). Following such appointment, the Initial Escrow Funds shall be held by the Escrow Agent pending final determination of the matter within three years from the Completion Date (whereupon any remaining balance (after settlement of the Liabilities) shall be refunded to the Vendor). If the matter remains unresolved within the said three years, full balance remaining in the Escrow Account shall be released to the Purchaser automatically. The Purchaser has agreed to hold the released funds pending final determination of the matter for an additional year, failing such final determination the released funds will be retained by the

Purchaser and the Purchaser shall not be obliged to return the released funds to the Vendor thereafter.

INFORMATION OF THE TARGET COMPANY AND THE TARGET PROPERTY

Information on the Target Company

The Target Company is a company incorporated in the BVI with limited liability. Immediately prior to Completion, the Target Company was an indirect wholly-owned subsidiary of the Company principally engaged in property investment. Other than the Target Property, the Target Company did not have any other material assets immediately prior to Completion.

The table below sets forth a summary of the audited results of the Target Company (prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board) for the two years ended 31 December 2022 and 31 December 2023.

	For the financial year ended 31 December 2022		For the financial year ended 31 December 2023	
	<i>Approximately GBP million</i>	<i>Equivalent to approximately HK\$ million</i>	<i>Approximately GBP million</i>	<i>Equivalent to approximately HK\$ million</i>
Revenue	3.7	37.4	4.0	39.8
Profit before taxation	3.1	31.0	4.0	40.6
Profit after taxation	2.4	24.6	3.2	31.7

As at 30 June 2024, the unaudited net asset value of the Target Company was approximately GBP5.4 million (equivalent to approximately HK\$54.4 million).

Information on the Target Property

As at the date of this announcement, the Target Property, comprises mainly an office building with a total net internal area of 50,845 square feet, is located in 14 St George Street, London, United Kingdom for leasing by the Target Company to tenants for commercial use with its office accommodation arranged over lower ground, ground and four upper floors.

INFORMATION OF THE GROUP AND THE PARTIES

The Group is principally engaged in property investment and development, building and property management, brokerage, securities investment, money lending and cosmetics distribution and trading.

The Vendor is a company incorporated in the BVI with limited liability and its principal activity is investment holding.

The Purchaser is a company incorporated in Jersey with limited liability and is principally engaged in the business of property investment. To the best of the Directors' knowledge,

information and belief, having made all reasonable enquiries, as at the date of this announcement, the Purchaser and its ultimate beneficial owner(s) are Independent Third Parties.

FINANCIAL EFFECTS OF THE DISPOSAL

Upon Completion, the Target Company has ceased to be a subsidiary of the Company and the financial results, assets and liabilities of the Target Company will no longer be included in the consolidated financial statements of the Group.

The Group expects to record an expense of approximately HK\$4.3 million from the Disposal in total comprehensive income, representing (I) a net loss of approximately HK\$102.5 million recognised in profit or loss, which is calculated based on (i) the Provisional Share Consideration; (ii) the estimated unaudited NAV as at the Completion Date; (iii) transaction costs (including third party professional costs) of the Disposal; and (iv) release of estimated translation reserve of the Target Company as at the Completion Date; and (II) an income of approximately HK\$98.2 million in other comprehensive income relating to the reclassification adjustment related to foreign operation disposed of by the Group.

As the Target Company ceased to be a subsidiary of the Company following Completion, its financial results, assets and liabilities will no longer be included in the consolidated financial statements of the Group. Rental income of the Target Property will not be recorded in the consolidated financial statements of the Group following Completion, and this will lead to a drop of rental income of the Group, while the level of borrowings of the Group will be reduced resulting in a lower finance costs to be incurred by the Group and a lower gearing level.

It is expected that the Completion will result in a decrease in total assets and total liabilities of the Group by approximately HK\$1,260.8 million and approximately HK\$238.1 million, respectively upon deconsolidation of the Target Company. Meanwhile, on the assumption that the Share Consideration is the same as the Provisional Share Consideration, total assets of the Group will be increased by approximately HK\$1,018.4 million representing the net sale proceeds from the Disposal. As mentioned above, it is estimated that the Group will record a net loss of approximately HK\$102.5 million and an other comprehensive income of approximately HK\$98.2 million from the Disposal, and the consolidated net asset value of the Group will be decreased by approximately HK\$4.3 million accordingly.

The abovementioned financial effects are shown for illustrative purpose only and the actual gain or loss eventually to be recognised by the Group is subject to review by the auditors of the Company upon finalisation of the consolidated financial statements of the Group.

INTENDED USE OF PROCEEDS

The Company intends to apply the net sale proceeds of the Disposal of approximately HK\$1,018.4 million towards the general working capital requirements of the Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL

As the Group is principally engaged in, among others, property investment and development, the Disposal is in line with its strategy to make good use of and manage its resources to better develop its property portfolio. The Disposal allows the Group to re-allocate the proceeds for other investment opportunities when they arise and adjust, if needed, the overall strategy on its investment portfolio when the market conditions warrant.

In light of the foregoing, the Directors consider that the terms of the Sale and Purchase Agreement, which are determined after arm's length negotiations between the Parties, are on normal commercial terms and are fair and reasonable, and the entering into of the Sale and Purchase Agreement and the transactions contemplated thereunder are 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 the Disposal exceed 25% but are less than 75%, the Disposal therefore constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and shareholders' approval requirements under the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Disposal and accordingly, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for approving the Disposal. On the date of signing of the Sale and Purchase Agreement, the Company has obtained a written approval for the Disposal from each of the Relevant Shareholders, namely Solar Bright Ltd., Joseph Lau Luen Hung Investments Limited and Century Frontier Limited (each beneficially interested in 723,290,948 Shares, 230,984,820 Shares and 476,425,000 Shares respectively and is directly or indirectly wholly-owned by Sino Omen Holdings Limited), being a closely allied group of Shareholders which together are beneficially interested in 1,430,700,768 Shares, representing approximately 74.99% of the issued share capital of the Company as at the date of the written shareholders' approval, carrying rights to vote at a general meeting of the Company. As the above written shareholders' approval can be accepted in lieu of holding a general meeting of the Company pursuant to Rule 14.44 of the Listing Rules, no general meeting will be held by the Company to approve the Disposal.

DESPATCH OF CIRCULAR

Pursuant to Rule 14.41(a) of the Listing Rules, if the Disposal approved by written shareholders' approval is accepted in lieu of holding a general meeting of the Company pursuant to Rule 14.44 of the Listing Rules, the Company would be required to despatch a circular containing, among other things, further details of the Disposal to the Shareholders within 15 business days after publication of this announcement, that is, on or before 5 September 2024. In the event that the Company is unable to despatch the circular within such period due to the time required to prepare the relevant financial and other information to be included in the circular under the Listing Rules, the Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules and will make a further announcement of the expected despatch date of the circular in due course.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company, and are recommended to consult their professional advisers if they are in any doubt of their position and as to actions that they should take.

DEFINITIONS

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

“Balancing Amount”	the amount determined (which may be positive or negative, as the case may be) by taking the Final NAV and deducting from it the Provisional Share Consideration
“Bank Debt”	GBP22,920,086.87 (equivalent to approximately HK\$ 230.0 million), being the total aggregate amount of outstanding debt (including all principal, interest, fees and any other amount) owing by the Target Company to a bank which is an Independent Third Party pursuant to the terms of a revolving facility agreement dated 18 July 2022 between such bank and the Target Company for the purposes of Completion pursuant to the Sale and Purchase Agreement
“Board”	the board of Directors
“Business Day”	any day that is not a Saturday, Sunday or public or bank holiday in England and/or Wales, the BVI, the Island of Jersey, Singapore and Hong Kong
“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”	completion of the Disposal
“Completion Date”	the day on which the Completion takes place, being the date of the Sale and Purchase Agreement
“Completion Payment”	an amount equal to the Provisional Share Consideration less the Initial Escrow Funds
“Completion Statement”	a statement setting out the NAV immediately prior to Completion to be agreed and determined after the Completion pursuant to the Sale and Purchase Agreement
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Debt Consideration”	the consideration payable for repayment of the Bank Debt and the Intra Group Debt paid by the Purchaser on the Completion Date
“Director(s)”	director(s) of the Company

“Disposal”	the disposal of the Sale Share by the Vendor to the Purchaser, the repayment of the Bank Debt and the Intra Group Debt and such other transactions as contemplated under the Sale and Purchase Agreement
“Escrow Account”	an interest-bearing GBP bank account with the Escrow Agent in the name of the Purchaser that shall be administered by the Escrow Agent in accordance with an escrow agreement to be entered into between the Vendor, the Purchaser and the Escrow Agent
“Escrow Agent”	such escrow agent as may be appointed by the Parties
“Escrow Undertaking”	as defined under the paragraph headed “Completion” in the section “The Sale and Purchase Agreement” of this announcement
“Estimated NAV”	the estimated NAV immediately prior to Completion agreed between the Parties at Completion pursuant to the Sale and Purchase Agreement, being GBP6,055,723.32 (equivalent to approximately HK\$60.8 million)
“Final NAV”	the final NAV immediately prior to Completion as set out in the Completion Statement and subject at all times to the Share Cap
“GBP”	British pound sterling, the lawful currency of the United Kingdom
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	person(s) or company(ies) which is/are third party(ies) independent of the Company and its connected person(s)
“Initial Escrow Funds”	an aggregate amount of GBP1.15 million (equivalent to approximately HK\$11.5 million)
“Intra Group Debt”	GBP96,414,902.39 (equivalent to approximately HK\$ 967.6 million), being the total aggregate amount of outstanding debt (including all principal, interest, fees and any other amount) owing by the Target Company to the Group immediately prior to Completion
“Liabilities”	as defined under the paragraph headed “Completion” in the section “The Sale and Purchase Agreement” of this announcement

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“NAV”	the aggregate value of the assets of the Target Company less the aggregate amount of the liabilities of the Target Company (including, among others, the Bank Debt and the Intra Group Debt as liabilities of the Target Company)
“Parties”	the Vendor and the Purchaser
“Provisional Share Consideration”	an amount equal to the Estimated NAV paid by the Purchaser on the Completion Date
“Purchaser”	Oval Gymkhana Holdco Limited, a company incorporated in Jersey with limited liability
“Relevant Shareholders”	collectively, Solar Bright Ltd., Joseph Lau Luen Hung Investments Limited and Century Frontier Limited, which together are beneficially interested in 1,430,700,768 Shares, representing approximately 74.99% of the issued share capital of the Company as at the date of the written shareholders’ approval obtained for the Disposal
“Sale and Purchase Agreement”	the sale and purchase agreement dated 14 August 2024 entered into between the Vendor and the Purchaser in relation to the Disposal
“Sale Share”	one share of US\$1 par value of the Target Company, representing its entire issued share capital
“Share Cap”	130% of the Estimated NAV
“Share Consideration”	the consideration payable for the disposal of the Sale Share pursuant to the Sale and Purchase Agreement which is equal to the Final NAV
“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
“subsidiary”	has the meaning ascribed to it in the Listing Rules
“Target Company”	State Smart Limited, a company incorporated in the BVI with limited liability
“Target Property”	the property held directly by the Target Company which is as set out under the paragraph headed “Information on the Target Property” in the section “Information of the Target Company and the Target Property” of this announcement

“United Kingdom”	The United Kingdom of Great Britain and Northern Ireland
“US\$”	United States dollar, the lawful currency of the United States of America
“Vendor”	Capital Castle Global Limited, a company incorporated in the BVI with limited liability
“%”	per cent

For the purpose of this announcement, amounts denominated in GBP have been translated into HK\$ at the rate of GBP1.00 to HK\$10.0359 for illustration purpose only. Such translation should not be construed as a representation that the amounts in question have been, could have been or could be converted at any particular rate or at all.

By order of the Board
Mak, Kai-ye
Company Secretary

Hong Kong, 15 August 2024

As at the date of this announcement, the Board comprised Ms. Chan, Hoi-wan and Ms. Chan, Lok-wan as Executive Directors, Mr. Lau, Ming-wai and Ms. Amy Lau, Yuk-wai as Non-executive Directors, and Mr. Chan, Kwok-wai, Mr. Leung, Yun-fai and Mr. Ma, Tsz-chun as Independent Non-executive Directors.

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