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## **CHINESE ESTATES HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 127)

### **CONNECTED TRANSACTION DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF AND LOAN DUE BY EASY HARBOUR LIMITED**

On 7 November 2011, the Vendor, a direct wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser, pursuant to which the Vendor agreed to sell or procure the sale of the Sale Share (being the entire issued share capital of Easy Harbour) and the Sale Loan (being all sums, whether principal, interest or otherwise, due or owing by Easy Harbour to the Debt Assignor at completion of the Disposal) to the Purchaser at a consideration of HK\$497,238,300.32. Completion of the Disposal has taken place upon signing of the Agreement.

As at the date of this announcement, the principal asset of Easy Harbour is the Property, which is a residential property located at No.3 Deep Water Bay Road, Hong Kong.

As Mr. Lau, who is interested in 1,429,643,768 Shares, representing approximately 74.94% of the total issued Shares as at the date of this announcement, is a director and the sole beneficial owner of the Purchaser, the Purchaser is an associate of Mr. Lau and a connected person of the Company. Hence, the Disposal constitutes a connected transaction for the Company under Rule 14A.13(1)(a) of the Listing Rules.

As the applicable percentage ratios in respect of the Disposal are less than 5%, the Disposal is only subject to the reporting and announcement requirements but is exempt from independent shareholders' approval requirement under the Listing Rules.

#### **AGREEMENT**

On 7 November 2011, the Vendor, a direct wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser, pursuant to which the Vendor agreed to sell or procure the sale of the Sale Share and the Sale Loan to the Purchaser at a consideration of HK\$497,238,300.32.

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

- Date:** 7 November 2011
- Parties:** (i) The Vendor as vendor  
(ii) The Purchaser as purchaser
- Subject matter:** Pursuant to the Agreement, the Vendor agreed to sell or procure the sale of the Sale Share and the Sale Loan to the Purchaser. As at completion of the Disposal, the Sale Loan amounted to HK\$497,282,559.26.
- Consideration:** The total consideration for the purchase of the Sale Share and the Sale Loan is HK\$497,238,300.32, which was paid in cash by the Purchaser to the Vendor upon completion of the Disposal.
- Completion:** Completion of the Disposal has taken place upon signing of the Agreement.

Upon completion of the Disposal, Mr. Lau has executed an irrevocable personal guarantee to replace the corporate guarantee given by the Company in favour of a bank to secure the obligations of Easy Harbour to such bank and the Purchaser has undertaken to procure the delivery of such document(s) to the reasonable satisfaction of the Vendor evidencing the release of such corporate guarantee by the bank as soon as practicable after completion of the Disposal.

## **BASIS OF THE CONSIDERATION**

The consideration for the Disposal was determined after arm's length negotiation between the Vendor and the Purchaser based on normal commercial terms and such consideration represents the aggregate of the acquisition and related cost of the Property (being HK\$926,824,924), the face value of other assets (being HK\$2,042,003.94) less liabilities (other than the Sale Loan) (being HK\$431,628,627.62) of Easy Harbour as at completion of the Disposal. The Company has also taken into consideration that the market value of the Property on redevelopment basis which was recently valued by an independent property valuer at HK\$860,000,000 is lower than the acquisition and related cost of the Property of HK\$926,824,924 (which was financed as to HK\$430,000,000 by bank loan and as to HK\$496,824,924 by the Sale Loan).

## **INFORMATION OF EASY HARBOUR**

Easy Harbour is an investment holding company incorporated in BVI on 10 March 2011. Prior to completion of the Disposal, the Sale Share, representing the entire issued share capital of Easy Harbour, was held by the Vendor. Upon completion of the Disposal, the Vendor has ceased to hold any shares in Easy Harbour and accordingly Easy Harbour has ceased to be a subsidiary of the Company. As at the date of this announcement, the principal asset of Easy Harbour is the Property.

The Property is a residential property located at No.3 Deep Water Bay Road, Hong Kong. The Property is currently let to an independent third party for a term of 3 years commencing on 1 January 2011 at a monthly rental of HK\$470,000 (exclusive of rates, service and management charges, utility charges and other outgoings) subject to the right of early termination by either party after the expiration of the first 12 months of the said term by giving the other not less than 6 months' prior written notice as therein mentioned. It is intended that redevelopment of the Property will be carried out upon expiration of or early termination of the existing tenancy agreement.

According to the unaudited financial statements of Easy Harbour as at 7 November 2011 which were prepared in accordance with accounting principles and practices generally accepted in Hong Kong, the unaudited total assets of Easy Harbour was HK\$928,866,927.94 and the unaudited net liabilities of Easy Harbour was HK\$44,258.94. During the period from 10 March 2011 (the date of incorporation of Easy Harbour) to 7 November 2011, Easy Harbour recorded an unaudited loss before tax and unaudited loss for the period both of HK\$44,266.94. The unaudited profit before interest expense on the Sale Loan for the period was HK\$397,751.32.

## **INFORMATION OF 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 Vendor is an investment holding company incorporated in Hong Kong and a direct wholly-owned subsidiary of the Company. The Debt Assignor is an investment holding company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company.

The Purchaser is an investment holding company incorporated in BVI which is wholly-owned by Mr. Lau for holding the interest in Easy Harbour upon completion of the Disposal.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

The Disposal will provide an opportunity for the Group to realize the non-core residential property and provide additional funding for the Group to build up a higher cash reserve. As a result of the Disposal, the Group is no longer required to commit further funding for the proposed redevelopment of the Property. As stated in the interim results announcement of the Group dated 17 August 2011, the Board considers that it is necessary to adopt a conservative dividend policy by maintaining a higher cash reserve in view of the fluctuation of global capital market since early August 2011. The Board considers that the Disposal enables the Company to further its objective of maintaining a higher cash reserve for the Group.

Based on the assets and liabilities disposed of under the Disposal, which included acquisition and related costs of the Property, face value of other assets and liabilities of Easy Harbour and the consideration received (before disposal related cost) from the Disposal, the Company estimates that as a whole there is no expected gain or loss arising from the Disposal to the Group. In the presentation of the consolidated statement of comprehensive income of the Group for the year ending 31 December 2011, the acquisition and related cost of the Property will be revalued to its market value and as a result the Group expects that a fair value loss on investment property of approximately HK\$66.8 million will be recorded, together with a corresponding gain on disposal of subsidiary of approximately HK\$66.8 million when comparing the consideration received (before disposal related cost) with the aggregate of the market value of the Property and the face value of other assets and liabilities disposed of. The Company intends to use the net proceeds (after deducting relevant expenses in connection with the Disposal) for general working capital purpose.

The Property was acquired by Easy Harbour from an independent third party on 17 August 2011 by way of tender at a consideration of HK\$888,800,000. The total investment costs of the Group in the assets disposed of is HK\$928,866,927.94.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Agreement are on normal commercial terms and are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## IMPLICATIONS UNDER THE LISTING RULES

As Mr. Lau, who is interested in 1,429,643,768 Shares, representing approximately 74.94% of the total issued Shares as at the date of this announcement, is a director and the sole beneficial owner of the Purchaser, the Purchaser is an associate of Mr. Lau and a connected person of the Company. Hence, the Disposal constitutes a connected transaction for the Company under Rule 14A.13(1)(a) of the Listing Rules.

As the applicable percentage ratios in respect of the Disposal are less than 5%, the Disposal is only subject to the reporting and announcement requirements but is exempt from independent shareholders' approval requirement under the Listing Rules.

As (a) Mr. Lau is a director and the sole beneficial owner of the Purchaser and (b) Mr. Lau, Ming-wai, a non-executive Director, is a director of the Purchaser, Mr. Lau and Mr. Lau, Ming-wai are deemed to have interests in the Disposal and have abstained from voting on the relevant Board resolution(s) to approve the Agreement and the transactions contemplated thereunder.

## DEFINITIONS

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

<b>“Agreement”</b>	the agreement between the Vendor as vendor and the Purchaser as purchaser in respect of the Disposal dated 7 November 2011;
<b>“associate(s)”</b>	having the meaning ascribed to it in the Listing Rules;
<b>“Board”</b>	the board of Directors;
<b>“BVI”</b>	the British Virgin Islands;
<b>“Company”</b>	Chinese Estates Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange;
<b>“connected person(s)”</b>	having the meaning ascribed to it in the Listing Rules;
<b>“Debt Assignor”</b>	Grade World Investment Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company;
<b>“Director(s)”</b>	the director(s) of the Company;
<b>“Disposal”</b>	the disposal of the Sale Share and the Sale Loan to the Purchaser pursuant to the terms of the Agreement;
<b>“Easy Harbour”</b>	Easy Harbour Limited, a company incorporated in BVI and an indirect wholly-owned subsidiary of the Company (held through the Vendor) prior to the Disposal;
<b>“Group”</b>	the Company and its subsidiaries;
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the People's Republic of China;

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Lau”	Mr. Joseph Lau, Luen-hung, the Chairman and an executive Director, the Chief Executive Officer of the Company and a substantial Shareholder;
“Property”	the piece or parcel of ground registered at the Land Registry as Rural Building Lot No.339 and the Extension thereto and of and in the messuages erections and buildings thereon now known as “LYNX HILL” No.3 Deep Water Bay Road, Hong Kong, with site area of approximately 11,640 square feet and saleable area of approximately 7,298 square feet;
“Purchaser”	Marvel Ocean Limited, an investment holding company incorporated in BVI which is wholly-owned by Mr. Lau;
“Sale Loan”	all sums, whether principal, interest or otherwise, due or owing by Easy Harbour to the Debt Assignor at completion of the Disposal, being HK\$497,282,559.26 in aggregate;
“Sale Share”	1 share of US\$1.00, representing the entire issued share capital of Easy Harbour, which was beneficially owned by and registered in the name of the Vendor prior to the Disposal;
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	the holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Vendor”	Chinese Estates, Limited, a company incorporated in Hong Kong and a direct wholly-owned subsidiary of the Company;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong; and
“%”	per cent.

By order of the Board  
**Lam, Kwong-wai**  
*Company Secretary*

Hong Kong, 7 November 2011

*As at the date of this announcement, the Board comprised Mr. Joseph Lau, Luen-hung as Executive Director, 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>*