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CHINESE ESTATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 127)

MAJOR TRANSACTION IN RELATION TO DISPOSAL OF PROPERTY

THE DISPOSAL

On 19 December 2024 (after trading hours), the Seller (an indirect wholly-owned subsidiary of the Company) and the Buyer entered into the Sale and Purchase Agreement, pursuant to which the Seller agreed to sell, and the Buyer agreed to purchase, the Property at a consideration of GBP162,000,000 (equivalent to approximately HK\$1,590.8 million) (exclusive of VAT) according to the terms and conditions set out therein. Completion has taken place on the date of signing of the Sale and Purchase Agreement.

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(s) 25% but is or 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, 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.

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 14 January 2025. 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.

THE DISPOSAL AND THE SALE AND PURCHASE AGREEMENT

On 19 December 2024 (after trading hours), the Seller (an indirect wholly-owned subsidiary of the Company) and the Buyer entered into the Sale and Purchase Agreement, pursuant to which the Seller agreed to sell, and the Buyer agreed to purchase, the Property at a consideration of GBP162,000,000 (equivalent to approximately HK\$1,590.8 million) (exclusive of VAT) according to the terms and conditions set out therein.

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

- Date** : 19 December 2024 (after trading hours)
- Parties** : (1) the Seller, an indirect wholly-owned subsidiary of the Company;
and
(2) the Buyer, an Independent Third Party.

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

Asset to be disposed

Pursuant to the Sale and Purchase Agreement, the Seller has agreed to sell, and the Buyer has agreed to acquire, the Property with full title guarantee with modifications as set out in the Sale and Purchase Agreement and subject to Incumbrances (if applicable).

Consideration

The Seller shall sell and the Buyer shall buy the Property at the Purchase Price.

The Purchase Price was determined after arm's length negotiations between the Buyer and the Seller on normal commercial terms, with reference to the appraised value of the Property by adopting the market approach in its existing state at GBP162.0 million (equivalent to approximately HK\$1,590.8 million) as of 16 December 2024. The appraisal was conducted by an independent professional valuer engaged by the Group.

Completion

Completion has taken place on the date of signing of the Sale and Purchase Agreement.

At Completion, the Buyer has paid the Purchase Price in full.

INFORMATION ON 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 Seller, an indirect wholly-owned subsidiary of the Company, is a public limited liability company (société anonyme) incorporated in the Grand Duchy of Luxembourg. The Seller is principally engaged in property investment with its material asset being the Property.

The Buyer is a company incorporated under the laws of England and Wales with limited liability and is principally engaged in the business of property holding.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of the Sale and Purchase Agreement:

- (a) the Buyer is ultimately wholly-owned by a revocable trust named The Lawrence J. Ellison Revocable Trust u/a/d 01/22/1988 set up in California, U.S. (the "**Trust**");
- (b) Mr. Lawrence J. Ellison ("**Mr. Ellison**"), a U.S. citizen, is the sole beneficiary, trustor and a co-trustee of the Trust. Mr. Paul T. Marinelli ("**Mr. Marinelli**"), a U.S. citizen, is the other co-trustee of the Trust; and
- (c) all of the Buyer, the Trust, Mr. Ellison and Mr. Marinelli are Independent Third Parties.

INFORMATION ON THE PROPERTY

The Property is a mixed use building, comprises mainly a grade A office building with a total net internal area of 82,024 square feet arranged over lower ground, ground and six upper floors, and is located in 11 and 12 St James's Square and 14 to 17 Ormond Yard, London, United Kingdom which is situated on a freehold land.

The rental income and the net profits attributable to the Property for the two financial years ended 31 December 2022 and 31 December 2023 were as follows:

	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>
Rental income	6.3	62.1	2.7	26.9
Net profits (excluding fair value changes on the Property)				
- before taxation	6.4	62.7	2.7	26.2
- after taxation	4.8	47.0	2.0	19.7

FINANCIAL EFFECT OF THE DISPOSAL

No gain or loss before transaction costs is expected from the Disposal which is calculated based on the difference between the Purchase Price and the unaudited carrying value of the Property as at the date of Completion (after accounted for the appraised value as at 16 December 2024). Loss of fair value change on the Property of approximately HK\$104.0 million is expected for the year ending 31 December 2024, which is calculated based on the appraised value as at 16 December 2024 less audited carrying value of the Property as at 31 December 2023 at GBP163.2 million (equivalent to approximately HK\$1,602.6 million) and additions during the period from 1 January 2024 to the date of Completion.

Upon Completion, the Group will no longer earn rental income from the Property, and this will lead to rental income of the Group to drop slightly, 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 of the Group.

It is expected that the total assets and total liabilities of the Group will decrease by approximately HK\$883.3 million and approximately HK\$769.3 million respectively, after Completion.

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

At Completion, the Group received net sale proceeds of the Disposal of approximately HK\$1,580.8 million, of which approximately HK\$769.3 million was applied for the repayment of existing bank borrowing owed by the Seller to release loan security relating thereto including the charge over the Property. The Group intends that the remaining proceeds of approximately HK\$811.5 million will be kept as cash reserve, which may be used for any future investment should any suitable opportunity arises and, subject to bank borrowing rate from time to time, for repayment of other bank borrowings of the Group to further reduce its finance costs if and when so desirable (although the current gearing level of the Group is not high). Meanwhile, the said cash reserve will be placed with financial institutions with interest income for return enhancement.

REASONS FOR AND BENEFITS OF THE DISPOSAL

As the Group is principally engaged in, among others, property investment and development, the Disposal was conducted in the ordinary and usual course of business of the Group and 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 ordinary and usual course of business of the Group and 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(s) 25% but is or 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 14 January 2025. 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.

DEFINITIONS

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

“Board”	the board of Directors
“Buyer”	ELLISON SPV 2 LIMITED, a company incorporated under the laws of England and Wales with limited liability
“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
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“Disposal”	the sale of the Property by the Seller to the Buyer and such other transactions as contemplated under the Sale and Purchase Agreement
“GBP”	British pound sterling, the lawful currency of the United Kingdom
“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
“Incumbrances”	the covenants, restrictions, stipulations and other matters contained or referred to in the Title or other documents referred to in the Sale and Purchase Agreement
“Independent Third Party(ies)”	person(s) or company(ies) which is/are third party(ies) independent of the Company and its connected person(s)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Property”	the freehold property registered with title absolute at HM Land Registry under title number LN248459 and known as 11 and 12 St James’s Square and 14 to 17 Ormond Yard, London
“Purchase Price”	one hundred and sixty-two million pounds (GBP162,000,000) (exclusive of VAT)
“Relevant Shareholders”	collectively, Solar Bright Ltd., Joseph Lau Luen Hung Investments Limited and Century Frontier Limited, which together were 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 19 December 2024 entered into between the Buyer and the Seller in relation to the Disposal
“Seller”	KNIGHTLIGHTS PROPERTY INTERNATIONAL S.A., a public limited liability company (société anonyme) incorporated in the Grand Duchy of Luxembourg and an indirect wholly-owned subsidiary of the Company
“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
“Title”	an official copy of the register and title plan to the Property and full copies of any documents noted on the register, other than any mortgage or legal charge
“United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“U.S.”	United States of America
“VAT”	value added tax imposed pursuant to the Value Added Tax Act 1994 and legislation and regulation supplemented thereto, which is payable by the Buyer pursuant to the terms of the Sale and Purchase Agreement
“%”	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\$9.8199 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, 19 December 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>