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## **CHINESE ESTATES HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 127)**

### **DISCLOSEABLE TRANSACTION**

#### **ACQUISITION OF THE REMAINING NON-VOTING SHARES IN GET WISDOM LIMITED**

On 29 June 2010, the Purchaser, being an indirect wholly-owned subsidiary of the Company, exercised the Call Option to purchase the Sale Non-voting Shares, representing 20% of the issued share capital of Get Wisdom, from the Vendor at the price of HK\$7.80 per Sale Non-voting Share. Completion of the Acquisition took place on 29 June 2010 whereupon the consideration for the Sale Non-voting Shares in the total sum of HK\$15.60 was paid by the Purchaser to the Vendor and the Purchaser advanced the Purchaser's pro-rata portion of the shareholders' loan to Get Wisdom in the sum of approximately HK\$195.2 million for the purpose of funding Get Wisdom's repayment of such part of the shareholders' loan owed by Get Wisdom to the Vendor pursuant to the terms of the SP Agreement.

In addition to the corporate guarantee previously given by the Company of up to approximately HK\$268.5 million to guarantee the obligations of Smart Dynasty under the Loan Agreement, the Company is required to further guarantee its additional 20% pro-rata obligations of Smart Dynasty under the Loan Agreement of up to an additional sum of approximately HK\$179.0 million after completion of the Acquisition.

#### **CONVERSION OF NON-VOTING SHARES IN GET WISDOM LIMITED INTO ORDINARY SHARES**

Immediately after completion of the Acquisition, Get Wisdom is held as to 50% by the Vendor (comprising 5 Ordinary Shares) and 50% by the Purchaser (comprising 5 Non-voting Shares) and is an associated company of the Company. On 29 June 2010, the Purchaser further exercised the Conversion Right granted to holders of Non-voting Shares under the Shareholders' Agreement, as a result of which, subject to the passing of an ordinary resolution by the shareholders of CSI (other than those, if any, who are required to abstain from voting under the Listing Rules), all of the 5 Non-voting Shares held by the Purchaser will be redeemed by Get Wisdom and be converted into 5 Ordinary Shares. Upon completion of the Conversion, which will only take effect subject to the passing of an ordinary resolution by the relevant shareholders of CSI, the entire issued share capital of

Get Wisdom will comprise Ordinary Shares only and Get Wisdom will be held as to 50% by the Vendor (comprising 5 Ordinary Shares) and 50% by the Purchaser (comprising 5 Ordinary Shares) and will remain an associated company of the Company.

### **PUT OPTION**

Pursuant to the terms of the SP Agreement, upon the exercise of the Call Option by the Purchaser to acquire the Sale Non-voting Shares on 29 June 2010, the Vendor shall be entitled to exercise the Put Option during the period from the date of completion of the Acquisition to the expiry of 180 days thereafter (both dates inclusive) to require the Purchaser to purchase from the Vendor the Put Option Shares at the price of HK\$7.80 per Put Option Share. Upon completion of the sale and purchase of the Put Option Shares pursuant to the exercise of the Put Option, in addition to the price payable for the Put Option Shares, the Purchaser shall advance the Purchaser's pro-rata portion of the shareholders' loan to Get Wisdom then outstanding in the sum of approximately HK\$487.6 million for the purpose of funding Get Wisdom's repayment of such part of the shareholders' loan owed by Get Wisdom to the Vendor pursuant to the terms of the SP Agreement.

In the event that the Put Option is exercised by the Vendor and the sale and purchase of the Put Option Shares is completed, Get Wisdom shall become an indirect wholly-owned subsidiary of the Company and the results of the Get Wisdom Group will be consolidated in the financial statements of the Company thereafter. Under the Shareholders' Agreement, the Company will then also be required to guarantee the obligations of Smart Dynasty under the existing bank loan of up to a total sum of HK\$895 million. It is also a term of the Loan Agreement that for so long as any moneys are owing under the Loan Agreement, Smart Dynasty shall not approve or allow such change in shareholding of Get Wisdom without the prior written consent of the lending bank.

### **GENERAL**

Get Wisdom is an investment holding company incorporated in the British Virgin Islands, the sole asset of which is the entire issued share capital of Smart Dynasty, being an investment holding company incorporated in Hong Kong. The sole asset of Smart Dynasty is the entire registered capital of Shanghai Xin Mao.

Shanghai Xin Mao is a company incorporated in the PRC and is the registered owner of the Property, which is its sole asset of significance. The Property is a commercial building located in Shanghai, with a gross floor area of 43,335.55 square metres.

Smart Dynasty completed the indirect acquisition of the property interest in the Property on 1 April 2010.

The Acquisition, when aggregated with the Previous Acquisition, the possible exercise of the Put Option by the Vendor and the existing and possible additional corporate guarantee given or to be given by the Company in respect of the obligations of Smart Dynasty under the Loan Agreement, constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules as the applicable percentage ratios in respect thereof are greater than 5% but less than 25%, and is subject to the announcement requirement but exempt from shareholders' approval requirement under the Listing Rules.

## **BACKGROUND**

Get Wisdom is an investment holding company incorporated in the British Virgin Islands with an issued share capital comprising 5 Ordinary Shares and 5 Non-voting Shares as at the date of this announcement. According to the memorandum and articles of association of Get Wisdom, the Non-voting Shares rank *pari passu* with the Ordinary Shares in respect of the right to dividend and as regards priority and proportion in respect of repayment of the capital paid up and the distribution of the surplus assets upon liquidation of Get Wisdom, but holders of Non-voting Shares shall have no right to vote in any meeting of the shareholders of Get Wisdom or to vote on a resolution of shareholders of Get Wisdom.

On 18 December 2009, the Purchaser entered into the SP Agreement with the Vendor pursuant to which the Purchaser agreed to purchase, and the Vendor agreed to sell, 3 Non-voting Shares (representing 30% of the issued share capital of Get Wisdom) for a cash consideration of HK\$23.40. Pursuant to the terms of the SP Agreement, the Purchaser was also required to advance the Purchaser's pro-rata portion of the shareholders' loan to Get Wisdom. Prior to the Acquisition, the Purchaser has provided its pro-rata advance of approximately HK\$292.4 million to Get Wisdom.

Under the SP Agreement, in consideration of the payment of HK\$1.00 by the Purchaser to the Vendor, the Vendor has granted the Call Option to the Purchaser to require the sale by the Vendor of the Sale Non-voting Shares to the Purchaser and in consideration of the payment of HK\$1.00 by the Vendor to the Purchaser, the Purchaser has agreed to grant the Put Option to the Vendor to require the purchase by the Purchaser from the Vendor of the Put Option Shares conditional on the exercise of the Call Option by the Purchaser.

Prior to completion of the Acquisition, Get Wisdom was an associated company of the Company and was held as to 70% by the Vendor (comprising 5 Ordinary Shares and the Sale Non-voting Shares) and 30% by the Purchaser (comprising 3 Non-voting Shares).

The Previous Acquisition does not constitute any notifiable transaction or connected transaction under Chapter 14 or 14A of the Listing Rules.

To finance the indirect acquisition of the property interest in the Property by Smart Dynasty (which was completed on 1 April 2010) and the working capital requirement of Smart Dynasty, Smart Dynasty had on 17 March 2010 obtained a loan facility of up to HK\$895 million pursuant to the Loan Agreement. In this connection, the Company has executed a guarantee in favour of the lending bank to guarantee its pro-rata obligations of Smart Dynasty under the Loan Agreement of up to approximately HK\$268.5 million, while CSI has executed a guarantee in favour of the lending bank to guarantee its pro-rata obligations of Smart Dynasty under the Loan Agreement of up to approximately HK\$626.5 million. As at the date of this announcement, the loan facility has been fully drawn.

## **ACQUISITION OF THE REMAINING NON-VOTING SHARES IN GET WISDOM LIMITED**

On 29 June 2010, the Purchaser, being an indirect wholly-owned subsidiary of the Company, exercised the Call Option to purchase the Sale Non-voting Shares, representing 20% of the issued share capital of Get Wisdom, from the Vendor at the price of HK\$7.80 per Sale Non-voting Share. Completion of the Acquisition took place on 29 June 2010 whereupon the consideration for the Sale Non-voting Shares in the total sum of HK\$15.60 was paid by the

Purchaser to the Vendor and the Purchaser advanced the Purchaser's pro-rata portion of the shareholders' loan to Get Wisdom in the sum of approximately HK\$195.2 million for the purpose of funding Get Wisdom's repayment of such part of the shareholders' loan owed by Get Wisdom to the Vendor pursuant to the terms of the SP Agreement.

In addition to the corporate guarantee previously given by the Company of up to approximately HK\$268.5 million to guarantee the obligations of Smart Dynasty under the Loan Agreement as mentioned in the section headed "Background" above, the Company is required to further guarantee its additional 20% pro-rata obligations of Smart Dynasty under the Loan Agreement of up to an additional sum of approximately HK\$179.0 million after completion of the Acquisition.

### ***The consideration***

The aggregate consideration for the Previous Acquisition and the Acquisition (together with the pro-rata portion of the shareholders' loan advanced to Get Wisdom by the Purchaser) is approximately HK\$487.6 million. The said amount has been paid in cash upon completion of the Previous Acquisition and the Acquisition and has been financed by the internal resources of the Group.

The consideration for the Acquisition and the Previous Acquisition as set out in the SP Agreement was agreed after arm's length negotiation between the Vendor and the Purchaser and is equivalent to the par value of the 5 Non-voting Shares acquired by the Purchaser under the Acquisition and the Previous Acquisition and the face value of the pro-rata portion (that is, 50%) of the shareholders' loan then owed by Get Wisdom. The Company has also taken into account the rental income generated by the Property and the capital value of the Property in considering the consideration for the Acquisition and the Previous Acquisition.

## **CONVERSION OF NON-VOTING SHARES IN GET WISDOM LIMITED INTO ORDINARY SHARES**

Immediately after completion of the Acquisition, Get Wisdom is held as to 50% by the Vendor (comprising 5 Ordinary Shares) and 50% by the Purchaser (comprising 5 Non-voting Shares) and is an associated company of the Company. On 29 June 2010, the Purchaser further exercised the Conversion Right granted to holders of Non-voting Shares under the Shareholders' Agreement, as a result of which, subject to the passing of an ordinary resolution by the shareholders of CSI (other than those, if any, who are required to abstain from voting under the Listing Rules), all of the 5 Non-voting Shares held by the Purchaser will be redeemed by Get Wisdom and be converted into 5 Ordinary Shares.

Upon completion of the Conversion, which will only take effect subject to the passing of an ordinary resolution by the relevant shareholders of CSI, the entire issued share capital of Get Wisdom will comprise Ordinary Shares only and Get Wisdom will be held as to 50% by the Vendor (comprising 5 Ordinary Shares) and 50% by the Purchaser (comprising 5 Ordinary Shares) and will remain an associated company of the Company.

## **PUT OPTION**

Pursuant to the terms of the SP Agreement, upon the exercise of the Call Option by the Purchaser to acquire the Sale Non-voting Shares on 29 June 2010, the Vendor shall be entitled

to exercise the Put Option during the period from the date of completion of the Acquisition to the expiry of 180 days thereafter (both dates inclusive) by serving a written notice on the Purchaser to require the Purchaser to purchase from the Vendor the Put Option Shares at the price of HK\$7.80 per Put Option Share. Upon completion of the sale and purchase of the Put Option Shares pursuant to the exercise of the Put Option, in addition to the price payable for the Put Option Shares, the Purchaser shall advance the Purchaser's pro-rata portion of the shareholders' loan to Get Wisdom then outstanding in the sum of approximately HK\$487.6 million for the purpose of funding Get Wisdom's repayment of such part of the shareholders' loan owed by Get Wisdom to the Vendor pursuant to the terms of the SP Agreement.

It is currently intended that, in the event of the exercise of the Put Option by the Vendor, the price payable for the Put Option Shares and the pro-rata portion of the shareholders' loan to be advanced to Get Wisdom shall be funded by the internal resources of the Group. The exercise price of the Put Option was agreed after arm's length negotiation between the Vendor and the Purchaser on the same basis as those for determining the consideration for the Acquisition and the Previous Acquisition and is equivalent to the par value of the Put Option Shares and the face value of the pro-rata portion (that is, 50%) of the shareholders' loan to Get Wisdom then outstanding.

In the event that the Put Option is exercised by the Vendor and the sale and purchase of the Put Option Shares is completed, Get Wisdom shall become an indirect wholly-owned subsidiary of the Company and the results of the Get Wisdom Group will be consolidated in the financial statements of the Company thereafter. Under the Shareholders' Agreement, the Company will then also be required to guarantee the obligations of Smart Dynasty under the existing bank loan of up to a total sum of HK\$895 million. It is also a term of the Loan Agreement that for so long as any moneys are owing under the Loan Agreement, Smart Dynasty shall not approve or allow such change in shareholding of Get Wisdom without the prior written consent of the lending bank.

## **INFORMATION OF THE GROUP AND THE VENDOR**

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

The Vendor, being a wholly-owned subsidiary of CSI, is an investment holding company holding Get Wisdom as its sole investment.

As at the date of the SP Agreement and the date of this announcement, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, apart from the Vendor being a shareholder of Get Wisdom, the Vendor, CSI (being the holding company of the Vendor), the controlling shareholder(s) of CSI and the ultimate beneficial owner(s) of the controlling shareholder(s) of CSI are third parties independent of and not connected with the Company and its connected persons.

## **INFORMATION OF THE GET WISDOM GROUP**

Get Wisdom is an investment holding company incorporated in the British Virgin Islands, the sole asset of which is the entire issued share capital of Smart Dynasty, being an investment holding company incorporated in Hong Kong. The sole asset of Smart Dynasty is the entire registered capital of Shanghai Xin Mao.

Shanghai Xin Mao is a company incorporated in the PRC and is the registered owner of the Property, which is its sole asset of significance. The Property is a commercial building located in Shanghai, with a gross floor area of 43,335.55 square metres.

The Property was completed in January 2006. The Property is situated in the centre of Huaihai Commercial Zone Shanghai, comprising a 20-storey Grade A office building with a commercial area on the ground floor and carparking spaces in the three levels of the basement. The office area is currently leased to international and corporate tenants with an occupancy rate of over 93%.

Smart Dynasty completed the indirect acquisition of the property interest in the Property on 1 April 2010.

According to the unaudited consolidated financial statements of the Get Wisdom and Smart Dynasty which were prepared in accordance with accounting principles and practices generally accepted in Hong Kong,

- (a) the net loss both before and after taxation for the period from 13 May 2009 (date of incorporation of Get Wisdom) to 31 March 2010 (financial year end date) was HK\$3.4 million; and
- (b) as at 31 March 2010, the total assets and the total liabilities (including the shareholders' loan to Get Wisdom) of Get Wisdom and Smart Dynasty amounted to approximately HK\$1,850.5 million and HK\$1,853.9 million respectively, resulting in a net liability value of approximately HK\$3.4 million.

According to the audited financial statements of Shanghai Xin Mao which were prepared in accordance with accounting principles and practices generally accepted in the PRC,

- (a) its net profit before and after taxation for the financial year ended 31 December 2009 were approximately RMB58.0 million and approximately RMB43.5 million respectively;
- (b) its net profit before and after taxation for the financial year ended 31 December 2008 were approximately RMB61.1 million and approximately RMB44.3 million respectively; and
- (c) as at 31 December 2009, its total assets and total liabilities were approximately RMB658.9 million and approximately RMB378.9 million respectively, resulting in a net asset value of approximately RMB280.0 million.

The major difference between the accounting standards of the Group and Shanghai Xin Mao is that the value of the Property has been stated at cost less depreciation in the financial statements of Shanghai Xin Mao for the financial years ended 31 December 2009 while property interests will be stated at fair value in the financial statements of the Group.

## **REASONS AND BENEFITS FOR THE PREVIOUS ACQUISITION, THE ACQUISITION, THE CONVERSION AND THE GRANTING OF PUT OPTION**

The Directors believe that the acquisition of the indirect 50% interest in Shanghai Xin Mao and in turn the Property by way of the Previous Acquisition, the Acquisition and the

Conversion and/or any possible acquisition of the remaining indirect 50% interest in Shanghai Xin Mao in the event of the exercise of the Put Option by the Vendor will enable the Group to widen and expand its presence in the property market and benefit the business development of the Group in the PRC.

The Directors (including the independent non-executive Directors) consider the terms of the SP Agreement have been made on normal commercial terms and are fair and reasonable and the Previous Acquisition, the Acquisition, the Conversion and the granting of the Put Option are in the best interest of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

The Acquisition, when aggregated with the Previous Acquisition, the possible exercise of the Put Option by the Vendor and the existing and possible additional corporate guarantee given or to be given by the Company in respect of the obligations of Smart Dynasty under the Loan Agreement, constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules as the applicable percentage ratios in respect thereof are greater than 5% but less than 25%, and is subject to the announcement requirement but exempt from shareholders' approval requirement under the Listing Rules.

## **DEFINITIONS**

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

<b>“Acquisition”</b>	the acquisition of the Sale Non-voting Shares upon exercise of the Call Option pursuant to the terms of the SP Agreement;
<b>“Board” or “Director(s)”</b>	the board of directors of the Company;
<b>“Call Option”</b>	the option granted by the Vendor to the Purchaser under the SP Agreement to require the sale by the Vendor to the Purchaser of the Sale Non-voting Shares;
<b>“Company”</b>	Chinese Estates Holdings Limited, a company incorporated in Bermuda, the shares of which are listed on the Main Board of the Stock Exchange;
<b>“connected person”</b>	the meaning ascribed to it in the Listing Rules;
<b>“CSI”</b>	CSI Properties Limited, a company incorporated in Bermuda, the shares of which are listed on the Main Board of the Stock Exchange;
<b>“Conversion”</b>	the redemption of the Non-voting Shares by Get Wisdom and the conversion of such Non-voting Shares into Ordinary Shares at the ratio of 1 Non-voting Share to 1 Ordinary Share;

<b>“Conversion Right”</b>	the right granted to holders of Non-voting Shares under the Shareholders’ Agreement to require Get Wisdom to undergo the Conversion;
<b>“Get Wisdom”</b>	Get Wisdom Limited, a company incorporated in the British Virgin Islands with limited liability, which has an issued share capital comprising 5 Ordinary Shares and 5 Non-voting Shares as at the date of this announcement;
<b>“Get Wisdom Group”</b>	Get Wisdom, Smart Dynasty and Shanghai Xin Mao collectively;
<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;
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange;
<b>“Loan Agreement”</b>	the loan agreement dated 17 March 2010 between Smart Dynasty as borrower and a bank as lender in relation to a loan facility of up to HK\$895 million;
<b>“Non-voting Shares”</b>	the non-voting shares of US\$1.00 each in the share capital of Get Wisdom;
<b>“Ordinary Shares”</b>	the ordinary shares of US\$1.00 each in the share capital of Get Wisdom;
<b>“PRC”</b>	the People’s Republic of China, which for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;
<b>“Previous Acquisition”</b>	the acquisition of 3 Non-voting Shares by the Purchaser from the Vendor pursuant to the SP Agreement;
<b>“Property”</b>	the building, named Platinum, located on 233 Taicang Road, Luwan District, Shanghai, PRC, which is a commercial building, with a gross floor area of 43,335.55 square metres;
<b>“Purchaser”</b>	Hill Shine Limited, a company incorporated in the British Virgin Islands, being an indirect wholly-owned subsidiary of the Company;
<b>“Put Option”</b>	the option conditionally granted by the Purchaser to the Vendor under the SP Agreement to require the purchase by the Purchaser from the Vendor the Put Option Shares;
<b>“Put Option Share(s)”</b>	5 Ordinary Shares beneficially owned by the Vendor;

“Sale Non-voting Share(s)”	2 Non-voting Shares, representing 20% of the issued share capital of Get Wisdom, which were beneficially owned by the Vendor prior to completion of the Acquisition;
“Shanghai Xin Mao”	上海新茂房地產開發有限公司 (Shanghai Xin Mao Property Development Co., Ltd.), a wholly foreign-owned enterprise established under the laws of PRC;
“Shareholders’ Agreement”	the shareholders’ agreement between the Vendor, the Purchaser and Get Wisdom dated 12 January 2010 setting out the respective rights and obligations of the Vendor and the Purchaser in relation to Get Wisdom and its subsidiaries;
“Smart Dynasty”	Smart Dynasty Limited, a company incorporated in Hong Kong with limited liability;
“SP Agreement”	the agreement for the sale and purchase of shares in Get Wisdom dated 18 December 2009 (as supplemented by a supplemental agreement dated 19 March 2010) entered into between the Vendor and the Purchaser;
“Shareholder(s)”	shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Vendor”	Capital Strategic Ventures Limited, a company incorporated in the British Virgin Islands with limited liability, being a wholly-owned subsidiary of CSI;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“RMB”	Renminbi, the lawful currency of the PRC;
“US\$”	United States dollars, the lawful currency of the United States of America; and
“%”	per cent.

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

Hong Kong, 30 June 2010

*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.*

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