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CHINESE ESTATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 127)

CONTINUING CONNECTED TRANSACTION - CONTRACT FOR SERVICES

On 18 December 2009, CEL, a direct wholly-owned subsidiary of the Company, entered into the Contract with Mr. Lau whereby CEL agreed to provide or procure any of its fellow subsidiaries or wholly-owned subsidiaries to provide the Management and Maintenance Services. The Contract will commence on 1 January 2010 and remains in force until and including 31 December 2012, provided that the Contract may be terminated before its expiry by either party on any anniversary of the commencement date.

Mr. Lau, being the Chairman and an executive Director, the Chief Executive Officer and a substantial shareholder of the Company who was interested in 1,429,643,768 Shares, representing approximately 73.31% of the total issued Shares as at the date of this announcement, is a connected person of the Company and hence the Contract and the transactions contemplated thereunder constitute continuing connected transactions for the Company under the Listing Rules.

Pursuant to Chapter 14A of the Listing Rules, the applicable percentage ratios of the Caps exceed 0.1% but are expected to be less than 2.5%, and hence the Contract and the Caps are only subject to reporting and announcement requirements but exempted from the independent Shareholders' approval requirement pursuant to Rule 14A.34 of the Listing Rules.

INTRODUCTION

On 18 December 2009, CEL, a direct wholly-owned subsidiary of the Company, entered into the Contract with Mr. Lau whereby CEL agreed to provide or procure any of its fellow subsidiaries or wholly-owned subsidiaries to provide the Management and Maintenance Services. The Contract will commence on 1 January 2010 and remains in force until and including 31 December 2012, provided that the Contract may be terminated before its expiry by either party on any anniversary of the commencement date.

RELATIONSHIP BETWEEN THE CONNECTED PERSON AND THE COMPANY

Mr. Lau, being the Chairman and an executive Director, the Chief Executive Officer and a substantial shareholder of the Company who was interested in 1,429,643,768 Shares, representing approximately 73.31% of the total issued Shares as at the date of this announcement, is a connected person of the Company and hence the Contract and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

THE CONTRACT

On 18 December 2009, CEL entered into the Contract with Mr. Lau whereby CEL agreed to provide or procure any of its fellow subsidiaries or wholly-owned subsidiaries to provide the Management and Maintenance Services. The principal terms of the Contract are set out below :-

- Date** : 18 December 2009
- Parties** : CEL
Mr. Lau
- Services to be Provided** : CEL shall provide or procure any of its fellow subsidiaries or wholly-owned subsidiaries to provide the Management and Maintenance Services between office hours from Monday to Saturday (excluding public, bank and local holidays) or non-office hours (including non-office hours from Monday to Saturday and the whole day of any Sunday and public, bank and local holidays) and at the request of Mr. Lau pursuant to the terms of the Contract and the standard conditions of the Company from time to time in force. CEL will have the right to decide whether to provide such services outside office hours.
- Term** : The Contract shall commence on 1 January 2010 and remains in force until and including 31 December 2012, provided that the Contract may be terminated before its expiry by either party on any anniversary of the commencement date.
- Fees and expenses** : Mr. Lau shall pay to CEL Service Charges calculated at such hourly charge-out rates as may be specified by CEL from time to time in relation to the time spent by the staff or representatives of CEL Companies in providing the Management and Maintenance Services. The hourly charge-out rates are subject to revision or adjustment by CEL, including without limitation addition or reduction of staff and adjustment of hourly charge-out rates, from time to time without prior notice to Mr. Lau. Mr. Lau shall pay to CEL the Service Charges within 30 days of presentment of invoice. The Service Charges are determined after arm's length negotiations by reference to the estimated costs of CEL in respect of the provision of Management and Maintenance Services with a mark up for profit.

In addition to the payment of the Service Charges, Mr. Lau shall bear and reimburse CEL for all costs and expenses incurred by CEL Companies in relation to the provision of the Management and Maintenance Services (including without limitation traveling expenses, disbursements, the costs of any replacement parts, peripheral items and consumables and costs of engagement of any third party contractor).

Termination by default : CEL may at any time by written notice (in addition to any other rights) terminate the Contract immediately and without liability for compensation or damages if Mr. Lau fails to comply in all material respects with the Contract.

For the building management services provided by the Group to third parties in Hong Kong, the manager's remuneration charged by the Group is normally determined by reference to building management expenditure including staff cost with a mark up for profit of certain percentage. As it is the term of the Contract that all the said costs and expenses incurred by CEL Companies in relation to the provision of the Management and Maintenance Services will be borne by Mr. Lau, the Service Charges are determined by reference to staff cost with a mark up for profit for a higher percentage. In view of the high mark up for profit and the nature of the Management and Maintenance Services to be provided under the Contract and the building management services provided by the Group to third parties in Hong Kong is similar, the Directors considered that the Service Charges are on normal commercial terms and fair and reasonable.

For the purposes of the Listing Rules, the annual Caps of the Service Charges payable by Mr. Lau to CEL under the Contract for each of the three financial years ending 31 December 2010, 2011 and 2012 are set at HK\$10 million. The Caps are determined by reference to the estimated annual Service Charges payable by Mr. Lau to CEL under the Contract plus a reasonable buffer for any additional management and maintenance services that may be provided by CEL Companies to Mr. Lau under the Contract.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CONTRACT

CEL will receive Service Charges for the Management and Maintenance Services provided under the Contract. The Contract will generate income to the Group and the terms of which are arrived at after arm's length negotiation. The Directors, including the independent non-executive Directors, consider that it is in the ordinary and usual course of business of the Company to provide the Management and Maintenance Services (other than those in relation to household management and maintenance) and the Contract is on normal commercial terms and the terms of the Contract and the Caps are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

If the amount of Service Charges payable by Mr. Lau to CEL under the Contract shall exceed the

Caps or upon the expiry of the Caps or where the Contract is renewed or there is a material change to the terms, the Company will re-comply with all applicable requirements under the Listing Rules, including (where required) the obtaining of approval of the independent Shareholders of the Company.

INFORMATION OF THE GROUP

The Group is principally engaged in property investment and development, brokerage, securities investment, money lending and cosmetic distribution and trading. CEL is an investment holding company incorporated in Hong Kong and a direct wholly-owned subsidiary of the Company.

GENERAL INFORMATION

Pursuant to Chapter 14A of the Listing Rules, the applicable percentage ratios of the Caps exceed 0.1% but are expected to be less than 2.5%, and hence the Contract and the Caps are only subject to reporting and announcement requirements but exempted from the independent Shareholders' approval requirement pursuant to Rule 14A.34 of the Listing Rules.

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.

DEFINITIONS

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

“associates”	the meaning ascribed to it in the Listing Rules;
“Board” or “Directors”	the board of directors of the Company;
“Caps”	for the purpose of Chapter 14A of the Listing Rules, means HK\$10 million for each of the three financial years ending 31 December 2010, 2011 and 2012 in respect of the Service Charges payable by Mr. Lau to CEL under the Contract;
“CEL”	Chinese Estates, Limited, a company incorporated in Hong Kong and a direct wholly-owned subsidiary of the Company;
“CEL Companies”	CEL, its fellow subsidiaries and wholly-owned subsidiaries;
“Company”	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 (stock code: 127);

“connected person”	the meaning ascribed to it in the Listing Rules;
“Contract”	the contract for services entered into between CEL and Mr. Lau in respect of the provision of the Management and Maintenance Services dated 18 December 2009;
“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;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Management and Maintenance Services”	the property and household management and maintenance services to be provided by CEL Companies in relation to the properties (including without limitation the fixtures, fittings, information technology related devices and equipment therein) and related assets owned by Mr. Lau and/or his associates and related parties pursuant to the Contract;
“Mr. Lau”	Mr. Joseph Lau, Luen-hung, the Chairman and an executive Director, the Chief Executive Officer and a substantial shareholder of the Company;
“Service Charges”	the service charges payable by Mr. Lau to CEL in respect of the Management and Maintenance Services pursuant to the Contract;
“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;
“substantial shareholder”	the meaning ascribed to it in the Listing Rules;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

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

Hong Kong, 18 December 2009

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