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CHINESE ESTATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 127)

DISCLOSEABLE AND CONNECTED TRANSACTIONS AND POSSIBLE CONTINUING CONNECTED TRANSACTIONS:

(1) DISPOSAL OF SUBSIDIARIES AND ASSETS AND (2) PROPERTY MANAGEMENT AGREEMENTS

The Board announces that on 17 May 2010, each of the following agreements was entered into between, among other parties, the subsidiaries of the Company and companies wholly owned by Mr. Lau:

1. the First SP Agreement;
2. the Second SP Agreement;
3. the Third SP Agreement;
4. the Fourth SP Agreement;
5. the Fifth SP Agreement; and
6. the Sixth SP Agreement.

The SP Agreements are related to, among other things:

- (a) the First Excelsior Properties (as contemplated under the First SP Agreement), which comprise certain shops, external walls and main roof of the Excelsior Plaza in Causeway Bay, Hong Kong having a gross floor area of 7,183 square feet;
- (b) the Second Excelsior Properties (as contemplated under the Second SP Agreement), which comprise certain shops, external walls and main roof of the Excelsior Plaza in Causeway Bay, Hong Kong having a gross floor area of 50,477 square feet;
- (c) the entire issued share capital of Dynamic Source (as contemplated under the Third SP Agreement);

- (d) the First York Place Property (as contemplated under the Fourth SP Agreement) whose address is Shop 1, York Place, No. 22 Johnston Road, Hong Kong having a gross floor area of 3,337 square feet;
- (e) the Second York Place Property (as contemplated under the Fifth SP Agreement) whose address is Shop 2, York Place, No. 22 Johnston Road, Hong Kong having a gross floor area of 4,773 square feet; and
- (f) the Southorn Centre Properties (as contemplated under the Sixth SP Agreement), which consist of two shop units on Ground Floor and the whole commercial area on 1st Floor and 2nd Floor of Southorn Centre, Nos. 130 and 150 Hennessy Road, Wanchai, Hong Kong as well as the ancillary staircases and lift area having a gross floor area of 40,727 square feet.

The provisional consideration payable under the First SP Agreement, the Second SP Agreement, the Third SP Agreement and the Sixth SP Agreement are HK\$778,191,956.71, HK\$1,359,494,378.33, HK\$2.00 and for the Sixth SP Agreement either HK\$329,663,689.87 (assuming no repayment of bank loan owed by Baharica under the Sixth SP Agreement) or HK\$1,124,663,689.87 (assuming repayment of bank loan owed by Baharica and such repayment is financed by the Group (other than the Target Companies) under the Sixth SP Agreement) respectively, whilst the consideration payable under the Fourth SP Agreement and the Fifth SP Agreement are HK\$50 million and HK\$70 million respectively.

Completion of each of the SP Agreements is conditional upon the satisfaction of the condition precedent that all necessary approvals by the Independent Shareholders at the SGM in a manner as required by the Stock Exchange or under the Listing Rules, the bye-laws of the Company and the applicable legislation have been obtained.

It is provided in each of the First SP Agreement, the Second SP Agreement and the Sixth SP Agreement that upon completion of the First SP Agreement, the Second SP Agreement and the Sixth SP Agreement respectively, the CCT Agreements will be entered into between the Property Manager and the then owners of the First Excelsior Properties, the Second Excelsior Properties and the Southorn Centre Properties in respect of the property management of the First Excelsior Properties, the Second Excelsior Properties and the Southorn Centre Properties.

As Mr. Lau, who holds 1,429,643,768 Shares, representing approximately 73.31% of the total issued Shares as at the date of this announcement, is a director and the sole beneficial owner of the respective purchaser of each of the SP Agreements, the Disposal Transactions constitute connected transactions for the Company under Rule 14A.13(1)(a) of the Listing Rules. The Disposal Transactions will therefore be subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. As the applicable percentage ratios under Chapter 14 of the Listing Rules for the Disposal Transactions exceed 5% but are less than 25%, the Disposal Transactions also constitute discloseable transactions for the Company.

As Sunny Ocean, Viewide and Baharica will cease to be subsidiaries of the Company and become associates of Mr. Lau upon completion of the First SP Agreement, the Second SP Agreement and the Sixth SP Agreement, the entering into of the CCT Agreements upon completion of the Disposal Transactions will constitute continuing connected transactions for the Company under Rule 14A.14 of the Listing Rules. As all the CCT Agreements are to be entered into following completion of the Disposal Transactions and form part and parcel of the Transactions, the same are aggregated pursuant to Rule 14A.25 of the Listing Rules. As the applicable percentage ratios for the aggregate of the expected annual caps of the CCT Transactions as required under Rule 14A.25 of the Listing Rules are less than 2.5%, the CCT Transactions are only subject to the reporting and announcement requirements but exempted from the Independent Shareholders' approval requirements under the Listing Rules.

A circular containing, among others, details of the Transactions, the letter of advice from the independent financial adviser to the independent board committee and the Independent Shareholders, the recommendation from the independent board committee, certain financial information as required under the Listing Rules, further information of the Group and valuation report on the Properties together with the notice of SGM will be despatched to the Shareholders as soon as practicable.

INTRODUCTION: SP AGREEMENTS

The Board announces that on 17 May 2010, each of the following agreements was entered into between, among other parties, the subsidiaries of the Company and companies wholly owned by Mr. Lau:

1. the First SP Agreement;
2. the Second SP Agreement;
3. the Third SP Agreement;
4. the Fourth SP Agreement;
5. the Fifth SP Agreement; and
6. the Sixth SP Agreement.

The SP Agreements are related to, among other things:

- (a) the First Excelsior Properties (as contemplated under the First SP Agreement), which comprise certain shops, external walls and main roof of the Excelsior Plaza in Causeway Bay, Hong Kong having a gross floor area of 7,183 square feet;
- (b) the Second Excelsior Properties (as contemplated under the Second SP Agreement), which comprise certain shops, external walls and main roof of the Excelsior Plaza in Causeway Bay, Hong Kong having a gross floor area of 50,477 square feet;
- (c) the entire issued share capital of Dynamic Source (as contemplated under the Third SP Agreement);
- (d) the First York Place Property (as contemplated under the Fourth SP Agreement) whose address is Shop 1, York Place, No.22 Johnston Road, Hong Kong having a gross floor area of 3,337 square feet;
- (e) the Second York Place Property (as contemplated under the Fifth SP Agreement) whose address is Shop 2, York Place, No.22 Johnston Road, Hong Kong having a gross floor area of 4,773 square feet; and
- (f) the Southorn Centre Properties (as contemplated under the Sixth SP Agreement), which consist of two shop units on Ground Floor and the whole commercial area on 1st Floor and 2nd Floor of Southorn Centre, Nos. 130 and 150 Hennessy Road, Wanchai, Hong Kong as well as the ancillary staircases and lift area having a gross floor area of 40,727 square feet.

The major terms of each of the SP Agreements are set out below.

(1) The First SP Agreement

Parties:

- (a) Gold Horse, as vendor;
- (b) the Company, as vendor's guarantor;
- (c) Tycoon City (an investment holding company wholly owned by Mr. Lau), as purchaser; and
- (d) Mr. Lau, as purchaser's guarantor.

In consideration of Tycoon City entering into the First SP Agreement, the Company has agreed to guarantee the performance by Gold Horse of its obligations under the First SP Agreement. In consideration of Gold Horse entering into the First SP Agreement, Mr. Lau has agreed to guarantee the performance by Tycoon City of its obligations under the First SP Agreement.

Assets to be disposed

The one share beneficially owned by Gold Horse, representing the entire issued share capital of Global Smart ("**First Sale Share**") and all sums due or owing by Global Smart and/or Sunny Ocean to members of the Group (other than the Target Companies) as at the date of completion of the First SP Agreement ("**First Sale Loan**"). As at 31 March 2010, the First Sale Loan amounted to approximately HK\$279.3 million. Tycoon City further agreed to assume the obligation for repaying the First Assumed Debt (if any) by way of novation upon completion of the First SP Agreement. As at 31 March 2010, there was no First Assumed Debt.

The First Sale Share to be acquired by Tycoon City shall be free from any mortgages, charges, liens, pledges, options and third party claims or other encumbrances (if any) at completion of the First SP Agreement and with all dividends, benefits and other rights becoming attached or accruing thereto as from the completion date of the First SP Agreement.

Consideration

The aggregate consideration for the purchase of the First Sale Share and the First Sale Loan (the "**First Consideration**") shall be equal to the aggregate of:-

- (a) the consolidated or combined net asset value or liability of Global Smart and Sunny Ocean (for the purpose of ascertaining such net asset value or liability, Tycoon City accepts that the First Excelsior Properties shall have a value of HK\$780 million), adjusted by adding the net deferred tax liabilities or deducting the net deferred tax assets, as the case may be, as shown in the First Completion Accounts; and
- (b) the aggregate face amount of the First Sale Loan, less the aggregate face amount of the First Assumed Debt.

If the First Consideration is a negative figure or less than HK\$2.00, it shall be deemed to be HK\$2.00.

Under the First SP Agreement, the First Consideration shall not exceed a cap amount of HK\$790 million, and was determined after arm's length negotiations between Gold Horse and Tycoon City with reference to the consolidated or combined net asset value or liability of Global Smart and Sunny Ocean as shown in the First Completion Accounts, which shall take into account the market

value of the First Excelsior Properties which was valued by an independent property valuer at approximately HK\$780 million as at 17 May 2010. In addition, the determination of the First Consideration has taken into account the provision of certain free leasing agency and management services for the First Excelsior Properties by the Group after completion of the First SP Agreement as mentioned in the paragraph headed “Provision of free leasing agency and management services after completion of the First SP Agreement”. The Directors (excluding the independent non-executive Directors, whose views will be provided after taking into account the opinion and advice from the independent financial adviser to be appointed) consider that such consideration and the relevant cap amount are fair and reasonable.

Under the First SP Agreement, which was entered into on normal commercial terms, the parties thereto have agreed that the First Consideration shall be paid by Tycoon City by means of paying a sum of HK\$778,191,956.71 as the provisional consideration (the “**First Provisional Consideration**”) first upon completion of the First SP Agreement and the difference between the First Provisional Consideration and the First Consideration will be settled in cash between the parties after the First Completion Accounts have become available. The First Provisional Consideration was determined by reference to the market value of the First Excelsior Properties of HK\$780 million as at 17 May 2010 as mentioned above and the consolidated or combined net asset value of Global Smart and Sunny Ocean as at 31 March 2010.

Provision of free leasing agency and management services after completion of the First SP Agreement

Subject to completion of the First SP Agreement, the Company agrees to procure the Property Manager to provide certain free leasing agency and management services in respect of the First Excelsior Properties (like soliciting and dealing with tenants, rent collection and taking legal actions on behalf of Sunny Ocean) to Sunny Ocean (which will then become an associate of Mr. Lau) for a period of 3 years after completion. The provision of such free services is considered by the Group to be after-sale services for the First Excelsior Properties, which has been taken into account in the determination of the First Consideration. Sunny Ocean may at any time after the date of completion of the First SP Agreement terminate the free leasing agency and management services provided by the Property Manager in respect of the First Excelsior Properties by serving one month’s notice on the Property Manager.

Undertakings

Tycoon City has undertaken to Gold Horse that if so requested by Gold Horse, it will give and/or procure the provision of such guarantee or security as may be reasonably required by any person (the “**First Beneficiary**”) who was given any guarantee, surety, security or indemnity by a member of the Group (excluding the Target Companies) in respect of the obligations or liabilities of Global Smart and/or Sunny Ocean (“**First CE Guarantee**”) in order to procure that the obligations or liabilities secured or guaranteed under all the First CE Guarantee shall with effect from the completion of the First SP Agreement no longer cover the outstanding loan owed by Global Smart and Sunny Ocean to the First Beneficiary.

Financing

Gold Horse has agreed that if Tycoon City needs to raise loans from banks or third parties for payment of the First Provisional Consideration or the First Consideration on the basis of Global Smart and/or Sunny Ocean providing securities (including those on the First Excelsior Properties) to such banks or third parties, subject to compliance with all applicable laws and regulations, Gold Horse will procure Global Smart and/or Sunny Ocean to give reasonable assistance to Tycoon City prior to or at the completion of the First SP Agreement to facilitate the provision of such securities by Global Smart and/or Sunny Ocean upon completion of the First SP Agreement.

Information of Global Smart and Sunny Ocean

Global Smart is an investment holding company incorporated in BVI and a direct wholly owned subsidiary of Gold Horse. After completion of the First SP Agreement, Tycoon City will become the beneficial owner of the entire issued share capital of Global Smart and Global Smart will cease to be a subsidiary of the Company. As at the date of this announcement, other than Sunny Ocean, Global Smart does not have any other material assets.

Sunny Ocean is an investment holding company incorporated in BVI and a direct wholly owned subsidiary of Global Smart. After completion of the First SP Agreement, Sunny Ocean will cease to be a subsidiary of the Company. As at the date of this announcement, other than the First Excelsior Properties, Sunny Ocean does not have any other material assets.

A summary of the unaudited consolidated results of Global Smart and Sunny Ocean for each of the two years ended 31 December 2008 and 2009 is set out below.

	For the year ended 31 December 2008 <i>(HK\$ million)</i>	For the year ended 31 December 2009 <i>(HK\$ million)</i>
Turnover	18.5	18.3
Fair value changes on investment properties	(226.0)	439.0
(Loss)/profit before taxation	(219.9)	445.1
(Loss)/profit after taxation	(176.0)	371.6
(Loss)/profit attributable to the equity holder	(176.0)	371.6

As at 31 March 2010, the unaudited consolidated net tangible asset of Global Smart and Sunny Ocean was approximately HK\$571.8 million and the aggregate amount of the First Sale Loan was approximately HK\$279.3 million.

Information on the First Excelsior Properties

Sunny Ocean is the owner of the First Excelsior Properties, whose details are set out below:

The First Excelsior Properties	Usage	Attributable interests to the Group
Shop Nos. 1 to 3 and 6 to 12 on Ground Floor and Unit Nos. 6 to 11 on 1 st Floor of Yee On Building and Shop Nos. 21, 23 and 24 on Ground Floor of Chee On Building together with the External Walls on Ground Floor, 1 st Floor and 2 nd Floor and the Main Roof of Yee On Building, Excelsior Plaza, Nos. 24-26 East Point Road, Causeway Bay, Hong Kong	Commercial	100%

(2) The Second SP Agreement

Parties:

- (a) Gold Horse, as vendor;
- (b) the Company, as vendor's guarantor;
- (c) Energy Kingdom (an investment holding company wholly owned by Mr. Lau), as purchaser;
and
- (d) Mr. Lau, as purchaser's guarantor.

In consideration of Energy Kingdom entering into the Second SP Agreement, the Company has agreed to guarantee the performance by Gold Horse of its obligations under the Second SP Agreement. In consideration of Gold Horse entering into the Second SP Agreement, Mr. Lau has agreed to guarantee the performance by Energy Kingdom of its obligations under the Second SP Agreement.

Assets to be disposed

The ten shares beneficially owned by Gold Horse, representing the entire issued share capital of Jolly Gain ("**Second Sale Shares**") and all sums due or owing by Jolly Gain and/or Viewide to members of the Group (other than the Target Companies) as at the date of completion of the Second SP Agreement ("**Second Sale Loan**"). As at 31 March 2010, the Second Sale Loan amounted to approximately HK\$667.5 million. Energy Kingdom further agreed to assume the obligation for repaying the Second Assumed Debt by way of novation upon completion of the Second SP Agreement. As at 31 March 2010, the Second Assumed Debt amounted to approximately HK\$66 million.

The Second Sale Shares to be acquired by Energy Kingdom shall be free from any mortgages, charges, liens, pledges, options and third party claims or other encumbrances (if any) at completion of the Second SP Agreement and with all dividends, benefits and other rights becoming attached or accruing thereto as from the completion date of the Second SP Agreement.

Consideration

The aggregate consideration for the purchase of the Second Sale Shares and the Second Sale Loan (the "**Second Consideration**") shall be equal to the aggregate of:-

- (a) the consolidated or combined net asset value or liability of Jolly Gain and Viewide (for the purpose of ascertaining such net asset value or liability, Energy Kingdom accepts that the Second Excelsior Properties shall have a value of HK\$1,370 million), adjusted by adding the net deferred tax liabilities or deducting the net deferred tax assets, as the case may be, as shown in the Second Completion Accounts;
- (b) the aggregate face amount of the Second Sale Loan, less the aggregate face amount of the Second Assumed Debt; and
- (c) an amount of HK\$17,551,733.33 (being the provision for diminution in amount due to Jolly Gain and/or Viewide by London Square Company Limited, a member of the Group, which provision will be provided for or recognized in the Second Completion Accounts).

If the Second Consideration is a negative figure or less than HK\$2.00, it shall be deemed to be HK\$2.00.

Under the Second SP Agreement, the Second Consideration shall not exceed a cap amount of HK\$1,450 million, and was determined after arm's length negotiations between Gold Horse and Energy Kingdom with reference to the consolidated or combined net asset value or liability of Jolly Gain and Viewide as shown in the Second Completion Accounts, which shall take into account the market value of the Second Excelsior Properties which was valued by an independent property valuer at approximately HK\$1,370 million as at 17 May 2010. In addition, the determination of the Second Consideration has taken into account the provision of certain free leasing agency and management services for the Second Excelsior Properties by the Group after completion of the Second SP Agreement as mentioned in the paragraph headed "Provision of free leasing agency and management services after completion of the Second SP Agreement". The Directors (excluding the independent non-executive Directors, whose views will be provided after taking into account the opinion and advice from the independent financial adviser to be appointed) consider that such consideration and the relevant cap amount are fair and reasonable.

Under the Second SP Agreement, which was entered into on normal commercial terms, the parties thereto have agreed that the Second Consideration shall be paid by Energy Kingdom by means of paying a sum of HK\$1,359,494,378.33 as the provisional consideration (the "**Second Provisional Consideration**") first upon completion of the Second SP Agreement and the difference between the Second Provisional Consideration and the Second Consideration will be settled in cash between the parties after the Second Completion Accounts have become available. The Second Provisional Consideration was determined by reference to the market value of the Second Excelsior Properties of HK\$1,370 million as at 17 May 2010 as mentioned above and the consolidated or combined net asset value of Jolly Gain and Viewide as at 31 March 2010.

Provision of free leasing agency and management services after completion of the Second SP Agreement

Subject to completion of the Second SP Agreement, the Company agrees to procure the Property Manager to provide certain free leasing agency and management services in respect of the Second Excelsior Properties (like soliciting and dealing with tenants, rent collection and taking legal actions on behalf of Viewide) to Viewide (which will then become an associate of Mr. Lau) for a period of 3 years after completion. The provision of such free services is considered by the Group to be after-sale services for the Second Excelsior Properties, which has been taken into account in the determination of the Second Consideration. Viewide may at any time after the date of completion of the Second SP Agreement terminate the free leasing agency and management services provided by the Property Manager in respect of the Second Excelsior Properties by serving one month's notice on the Property Manager.

Undertakings

Energy Kingdom has undertaken to Gold Horse that if so requested by Gold Horse, it will give and/or procure the provision of such guarantee or security as may be reasonably required by any person (the "**Second Beneficiary**") who was given any guarantee, surety, security or indemnity by a member of the Group (excluding the Target Companies) in respect of the obligations or liabilities of Jolly Gain and/or Viewide ("**Second CE Guarantee**") in order to procure that the obligations or liabilities secured or guaranteed under all the Second CE Guarantees shall with effect from the completion of the Second SP Agreement no longer cover the outstanding loan owed by Jolly Gain and Viewide to the Second Beneficiary.

Financing

Gold Horse has agreed that if Energy Kingdom needs to raise loans from banks or third parties for payment of the Second Provisional Consideration or the Second Consideration on the basis of Jolly Gain and/or Viewide providing securities (including those on the Second Excelsior Properties) to such banks or third parties, subject to compliance with all applicable laws and

regulations, Gold Horse will procure Jolly Gain and/or Viewide to give reasonable assistance to Energy Kingdom prior to or at the completion of the Second SP Agreement to facilitate the provision of such securities by Jolly Gain and/or Viewide upon completion of the Second SP Agreement.

Information of Jolly Gain and Viewide

Jolly Gain is an investment holding company incorporated in BVI and a direct wholly owned subsidiary of Gold Horse. After completion of the Second SP Agreement, Energy Kingdom will become the beneficial owner of the entire issued share capital of Jolly Gain and Jolly Gain will cease to be a subsidiary of the Company. As at the date of this announcement, other than Viewide, Jolly Gain does not have any other material assets.

Viewide is an investment holding company incorporated in BVI and a direct wholly owned subsidiary of Jolly Gain. After completion of the Second SP Agreement, Viewide will cease to be a subsidiary of the Company. As at the date of this announcement, other than the Second Excelsior Properties, Viewide does not have any other material assets.

A summary of the unaudited consolidated results of Jolly Gain and Viewide for each of the two years ended 31 December 2008 and 2009 is set out below.

	For the year ended 31 December 2008 (HK\$ million)	For the year ended 31 December 2009 (HK\$ million)
Turnover	74.8	85.5
Fair value change on investment property	(476.7)	586.6
(Loss)/profit before taxation	(438.3)	628.6
(Loss)/profit after taxation	(349.9)	528.4
(Loss)/profit attributable to the equity holder	(349.9)	528.4

As at 31 March 2010, the unaudited consolidated net tangible asset of Jolly Gain and Viewide was approximately HK\$1,509.5 million and the aggregate amount of the Second Sale Loan was approximately HK\$667.5 million.

Information on the Second Excelsior Properties

Viewide is the owner of the Second Excelsior Properties, whose details are set out below:

The Second Excelsior Properties	Usage	Attributable interests to the Group
1. Shop No. 31 on 1 st Floor, Shop No. 32 (Part) on Ground Floor, 1 st Floor and 2 nd Floor, Shop No. 32 (Part) on 2 nd Floor, External Walls on Ground Floor, 1 st Floor and 2 nd Floor, Reserved shares for the Naming Right in respect of Ground Floor, 1 st Floor and 2 nd Floor and Main Roof of Chee On Building of Excelsior Plaza, No. 24 East Point Road, Causeway Bay, Hong Kong;	Commercial	100%

- | | | | |
|----|--|------------|------|
| 2. | Reserved Area (Unit G) on 2 nd Floor, Shop No. 32 (Part) on 2 nd Floor and Reserved shares of and in the Land and Yee On Building forming part of the Excelsior Plaza in respect of Ground Floor, 1 st Floor and 2 nd Floor of Yee On Building of Excelsior Plaza, No. 26 East Point Road, Causeway Bay, Hong Kong; and | Commercial | 100% |
| 3. | Shop No. 32 (Part) on 2 nd Floor, External Walls and 5 Reserved shares of and in the Land and the Annex Land Building forming part of the Excelsior Plaza in respect of Ground Floor, 1 st Floor and 2 nd Floor, and all that portion of the External Walls (Elevation Behind Escalator) of the Annex Land Building of Excelsior Plaza, Nos. 24-26 East Point Road, Causeway Bay, Hong Kong | Commercial | 100% |

(3) The Third SP Agreement

Parties:

- (a) Gold Horse, as vendor;
- (b) the Company, as vendor's guarantor;
- (c) Tycoon City (an investment holding company wholly owned by Mr. Lau), as purchaser; and
- (d) Mr. Lau, as purchaser's guarantor.

In consideration of Tycoon City entering into the Third SP Agreement, the Company has agreed to guarantee the performance by Gold Horse of its obligations under the Third SP Agreement. In consideration of Gold Horse entering into the Third SP Agreement, Mr. Lau has agreed to guarantee the performance by Tycoon City of its obligations under the Third SP Agreement.

Assets to be disposed

The one share beneficially owned by Gold Horse, representing the entire issued share capital of Dynamic Source ("**Third Sale Share**") and all sums due or owing by Dynamic Source and/or Bingo Castle to members of the Group (other than the Target Companies) as at the date of completion of the Third SP Agreement ("**Third Sale Loan**"). As at 31 March 2010, the Third Sale Loan amounted to approximately HK\$35,430.2. Tycoon City further agreed to assume the obligation for repaying the Third Assumed Debt by way of novation upon completion of the Third SP Agreement. As at 31 March 2010, there was no Third Assumed Debt.

The Third Sale Share to be acquired by Tycoon City shall be free from any mortgages, charges, liens, pledges, options and third party claims or other encumbrances (if any) at completion of the Third SP Agreement and with all dividends, benefits and other rights becoming attached or accruing thereto as from the completion date of the Third SP Agreement.

Consideration

The aggregate consideration for the purchase of the Third Sale Share and the Third Sale Loan (the "**Third Consideration**") shall be equal to the aggregate of:-

- (a) the consolidated or combined net asset value or liability of Dynamic Source and Bingo Castle, adjusted by adding the net deferred tax liabilities or deducting the net deferred tax assets, as the case may be, as shown in the Third Completion Accounts; and
- (b) the aggregate face amount of the Third Sale Loan, less the aggregate face amount of the Third Assumed Debt.

If the Third Consideration is a negative figure or less than HK\$2.00, it shall be deemed to be HK\$2.00.

Under the Third SP Agreement, the Third Consideration shall not exceed a cap amount of HK\$200,000, and was determined after arm's length negotiations between Gold Horse and Tycoon City with reference to the consolidated or combined net asset value or liability of Dynamic Source and Bingo Castle as shown in the Third Completion Accounts. The Directors (excluding the independent non-executive Directors, whose views will be provided after taking into account the opinion and advice from the independent financial adviser to be appointed) consider that such consideration and the relevant cap amount are fair and reasonable.

Under the Third SP Agreement, which was entered into on normal commercial terms, the parties thereto have agreed that the Third Consideration shall be paid by Tycoon City by means of paying a sum of HK\$2.00 as the provisional consideration (the "**Third Provisional Consideration**") first upon completion of the Third SP Agreement and the difference between the Third Provisional Consideration and the Third Consideration will be settled in cash between the parties after the Third Completion Accounts have become available. The Third Provisional Consideration was determined by reference to the consolidated or combined net liability of Dynamic Source and Bingo Castle as at 31 March 2010.

Undertakings

Tycoon City has undertaken to Gold Horse that if so requested by Gold Horse, it will give and/or procure the provision of such guarantee or security as may be reasonably required by any person (the "**Third Beneficiary**") who was given any guarantee, surety, security or indemnity by a member of the Group (excluding the Target Companies) in respect of the obligations or liabilities of Dynamic Source and/or Bingo Castle ("**Third CE Guarantee**") in order to procure that the obligations or liabilities secured or guaranteed under all the Third CE Guarantees shall with effect from the completion of the Third SP Agreement no longer cover the outstanding loan owed by Dynamic Source and Bingo Castle to the Third Beneficiary.

Financing

Gold Horse has agreed that if Tycoon City needs to raise loans from banks or third parties for payment of the Third Provisional Consideration or the Third Consideration on the basis of Dynamic Source and/or Bingo Castle providing securities to such banks or third parties, subject to compliance with all applicable laws and regulations, Gold Horse will procure Dynamic Source and/or Bingo Castle to give reasonable assistance to Tycoon City prior to or at the completion of the Third SP Agreement to facilitate the provision of such securities by Dynamic Source and/or Bingo Castle upon completion of the Third SP Agreement.

Information of Dynamic Source and Bingo Castle

Dynamic Source is an investment holding company incorporated in BVI and a direct wholly owned subsidiary of Gold Horse. After completion of the Third SP Agreement, Tycoon City will become the beneficial owner of the entire issued share capital of Dynamic Source and Dynamic Source will cease to be a subsidiary of the Company. As at the date of this announcement, other than Bingo Castle, Dynamic Source does not have any other material assets.

Bingo Castle is an investment holding company incorporated in BVI and a direct wholly owned subsidiary of Dynamic Source. After completion of the Third SP Agreement, Bingo Castle will cease to be a subsidiary of the Company. As at the date of this announcement, Bingo Castle does not have any other material assets other than having entered into a license agreement with Sunny Ocean for obtaining a license in respect of the property “Signage space on the external cladding besides Shop No. 21 on the Ground Floor of Excelsior Plaza, Chee On Building, No. 24 East Point Road, Causeway Bay, Hong Kong” owned by Sunny Ocean and then sublicensing such licensed property to an independent third party.

A summary of the unaudited consolidated results of Dynamic Source and Bingo Castle for the period ended 31 December 2009 is set out below:

	For the period ended 31 December 2009 (HK\$)
Turnover	-
Loss before taxation	(32,760)
Loss after taxation	(32,760)
Loss attributable to the equity holder	(32,760)

As at 31 March 2010, the unaudited consolidated net liability of Dynamic Source and Bingo Castle was approximately HK\$35,430.2 and the aggregate amount of the Third Sale Loan was approximately HK\$35,430.2.

(4) The Fourth SP Agreement

Parties:

- (a) Fair City, as vendor;
- (b) the Company, as vendor’s guarantor;
- (c) Glory City (an investment holding company wholly owned by Mr. Lau), as purchaser; and
- (d) Mr. Lau, as purchaser’s guarantor.

In consideration of Glory City entering into the Fourth SP Agreement, the Company has agreed to guarantee the performance by Fair City of its obligations under the Fourth SP Agreement. In consideration of Fair City entering into the Fourth SP Agreement, Mr. Lau has agreed to guarantee the performance by Glory City of its obligations under the Fourth SP Agreement.

Assets to be disposed

The First York Place Property, whose details are set out in the paragraph headed “Information on the First York Place Property” below.

Consideration

The consideration for the purchase of the First York Place Property (the “**Fourth Consideration**”) is HK\$50 million, which shall be paid by Glory City to Fair City upon completion of the Fourth SP Agreement.

The Fourth Consideration was determined after arm's length negotiations between Fair City and Glory City with reference to the market value of the First York Place Property which was valued by an independent property valuer at approximately HK\$50 million as at 17 May 2010. In addition, the determination of the Fourth Consideration has taken into account the provision of certain free leasing agency and management services for the First York Place Property by the Group after completion of the Fourth SP Agreement as mentioned in the paragraph headed "Provision of free leasing agency and management services after completion of the Fourth SP Agreement". The Directors (excluding the independent non-executive Directors, whose views will be provided after taking into account the opinion and advice from the independent financial adviser to be appointed) consider that such consideration is fair and reasonable.

Provision of free leasing agency and management services after completion of the Fourth SP Agreement

Subject to completion of the Fourth SP Agreement, the Company agrees to procure the Property Manager to provide certain free leasing agency and management services in respect of the First York Place Property (like soliciting and dealing with tenants, rent collection and taking legal actions on behalf of Glory City) to Glory City for a period of 3 years after completion. The provision of such free services is considered by the Group to be after-sale services for the First York Place Property, which has been taken into account in the determination of the Fourth Consideration. Glory City may at any time after the date of completion of the Fourth SP Agreement terminate the free leasing agency and management services provided by the Property Manager in respect of the First York Place Property by serving one month's notice on the Property Manager.

Information on the First York Place Property

Fair City is the owner of the First York Place Property. The net book value of the First York Place Property in the accounts of Fair City is approximately HK\$35.4 million as at 31 March 2010. Under the Fourth SP Agreement, the First York Place Property shall be sold by Fair City to Glory City free from any mortgages, charges or other encumbrances. Details of the First York Place Property are as follows:

The First York Place Property	Usage	Attributable interests to the Group
Shop 1, York Place, No. 22 Johnston Road, Hong Kong	Commercial	100%

(5) The Fifth SP Agreement

Parties:

- (a) Fair City, as vendor;
- (b) the Company, as vendor's guarantor;
- (c) Rich Force (an investment holding company wholly owned by Mr. Lau), as purchaser; and
- (d) Mr. Lau, as purchaser's guarantor.

In consideration of Rich Force entering into the Fifth SP Agreement, the Company has agreed to guarantee the performance by Fair City of its obligations under the Fifth SP Agreement. In consideration of Fair City entering into the Fifth SP Agreement, Mr. Lau has agreed to guarantee the performance by Rich Force of its obligations under the Fifth SP Agreement.

Assets to be disposed

The Second York Place Property, whose details are set out in the paragraph headed “Information on the Second York Place Property” below.

Consideration

The consideration for the purchase of the Second York Place Property (the “**Fifth Consideration**”) is HK\$70 million, which shall be paid by Rich Force to Fair City upon completion of the Fifth SP Agreement.

The Fifth Consideration was determined after arm’s length negotiations between Fair City and Rich Force with reference to the market value of the Second York Place Property which was valued by an independent property valuer at approximately HK\$70 million as at 17 May 2010. In addition, the determination of the Fifth Consideration has taken into account the provision of certain free leasing agency and management services for the Second York Place Property by the Group after completion of the Fifth SP Agreement as mentioned in the paragraph headed “Provision of free leasing agency and management services after completion of the Fifth SP Agreement”. The Directors (excluding the independent non-executive Directors, whose views will be provided after taking into account the opinion and advice from the independent financial adviser to be appointed) consider that such consideration is fair and reasonable.

Provision of free leasing agency and management services after completion of the Fifth SP Agreement

Subject to completion of the Fifth SP Agreement, the Company agrees to procure the Property Manager to provide certain free leasing agency and management services in respect of the Second York Place Property (like soliciting and dealing with tenants, rent collection and taking legal actions on behalf of Rich Force) to Rich Force for a period of 3 years after completion. The provision of such free services is considered by the Group to be after-sale services for the Second York Place Property, which has been taken into account in the determination of the Fifth Consideration. Rich Force may at any time after the date of completion of the Fifth SP Agreement terminate the free leasing agency and management services provided by the Property Manager in respect of the Second York Place Property by serving one month’s notice on the Property Manager.

Information on the Second York Place Property

Fair City is the owner of the Second York Place Property. The net book value of the Second York Place Property in the accounts of Fair City is approximately HK\$50.7 million as at 31 March 2010. Under the Fifth SP Agreement, the Second York Place Property shall be sold by Fair City to Rich Force free from any mortgages, charges or other encumbrances. Details of the Second York Place Property are as follows:

The Second York Place Property	Usage	Attributable interests to the Group
Shop 2, York Place, No. 22 Johnston Road, Hong Kong	Commercial	100%

(6) The Sixth SP Agreement

Parties:

- (a) Gold Horse, as vendor;
- (b) the Company, as vendor's guarantor;
- (c) Smart Object (an investment holding company wholly owned by Mr. Lau), as purchaser; and
- (d) Mr. Lau, as purchaser's guarantor.

In consideration of Smart Object entering into the Sixth SP Agreement, the Company has agreed to guarantee the performance by Gold Horse of its obligations under the Sixth SP Agreement. In consideration of Gold Horse entering into the Sixth SP Agreement, Mr. Lau has agreed to guarantee the performance by Smart Object of its obligations under the Sixth SP Agreement.

Assets to be disposed

The one share beneficially owned by Gold Horse, representing the entire issued share capital of Grand Lucky ("**Sixth Sale Share**") and all sums due or owing by Grand Lucky and/or Baharica to members of the Group (other than the Target Companies) as at the date of completion of the Sixth SP Agreement ("**Sixth Sale Loan**"). As at 31 March 2010, the Sixth Sale Loan amounted to approximately HK\$2.8 million. Smart Object further agreed to assume the obligation for repaying the Sixth Assumed Debt (if any) by way of novation upon completion of the Sixth SP Agreement. As at 31 March 2010, the Sixth Assumed Debt amounted to approximately HK\$549.8 million.

The Sixth Sale Share to be acquired by Smart Object shall be free from any mortgages, charges, liens, pledges, options and third party claims or other encumbrances (if any) at completion of the Sixth SP Agreement and with all dividends, benefits and other rights becoming attached or accruing thereto as from the completion date of the Sixth SP Agreement.

Consideration

The aggregate consideration for the purchase of the Sixth Sale Share and the Sixth Sale Loan (the "**Sixth Consideration**") shall be equal to the aggregate of:-

- (a) the consolidated or combined net asset value or liability of Grand Lucky and Baharica (for the purpose of ascertaining such net asset value or liability, Smart Object accepts that the Southorn Centre Properties shall have a value of HK\$1,128 million), adjusted by adding the net deferred tax liabilities or deducting the net deferred tax assets, as the case may be, as shown in the Sixth Completion Accounts; and
- (b) the aggregate face amount of the Sixth Sale Loan, less the aggregate face amount of the Sixth Assumed Debt.

If the Sixth Consideration is a negative figure or less than HK\$2.00, it shall be deemed to be HK\$2.00.

Under the Sixth SP Agreement, the Sixth Consideration shall not exceed a cap amount of HK\$1,250 million, and was determined after arm's length negotiations between Gold Horse and Smart Object with reference to the consolidated or combined net asset value or liability of Grand Lucky and Baharica as shown in the Sixth Completion Accounts, which shall take into account the market value of the Southorn Centre Properties which was valued by an independent property valuer at approximately HK\$1,128 million as at 17 May 2010. In addition, the determination of

the Sixth Consideration has taken into account the provision of certain free leasing agency and management services for the Southorn Centre Properties by the Group after completion of the Sixth SP Agreement as mentioned in the paragraph headed “Provision of free leasing agency and management services after completion of the Sixth SP Agreement”. The Directors (excluding the independent non-executive Directors, whose views will be provided after taking into account the opinion and advice from the independent financial adviser to be appointed) consider that such consideration and the relevant cap amount are fair and reasonable.

Under the Sixth SP Agreement, which was entered into on normal commercial terms, the parties thereto have agreed that the Sixth Consideration shall be paid by Smart Object by means of paying a sum of HK\$329,663,689.87 (assuming no repayment of bank loan owed by Baharica) or HK\$1,124,663,689.87 (assuming repayment of bank loan owed by Baharica and such repayment is financed by the Group (other than the Target Companies)) as the provisional consideration (the “**Sixth Provisional Consideration**”) first upon completion of the Sixth SP Agreement and the difference between the Sixth Provisional Consideration and the Sixth Consideration will be settled in cash between the parties after the Sixth Completion Accounts have become available. The Sixth Provisional Consideration was determined by reference to the market value of the Southorn Centre Properties of HK\$1,128 million as at 17 May 2010 as mentioned above and the consolidated or combined net asset value of Grand Lucky and Baharica as at 31 March 2010.

Provision of free leasing agency and management services after completion of the Sixth SP Agreement

Subject to completion of the Sixth SP Agreement, the Company agrees to procure the Property Manager to provide certain free leasing agency and management services in respect of the Southorn Centre Properties (like soliciting and dealing with tenants, rent collection and taking legal actions on behalf of Baharica) to Baharica (which will then become an associate of Mr. Lau) for a period of 3 years after completion. The provision of such free services is considered by the Group to be after-sale services for the Southorn Centre Properties, which has been taken into account in the determination of the Sixth Consideration. Baharica may at any time after the date of completion of the Sixth SP Agreement terminate the free leasing agency and management services provided by the Property Manager in respect of the Southorn Centre Properties by serving one month’s notice on the Property Manager.

Undertakings

Smart Object has undertaken to Gold Horse that if so requested by Gold Horse, it will give and/or procure the provision of such guarantee or security as may be reasonably required by any person (the “**Sixth Beneficiary**”) who was given any guarantee, surety, security or indemnity by a member of the Group (excluding the Target Companies) in respect of the obligations or liabilities of Grand Lucky and/or Baharica (“**Sixth CE Guarantee**”) in order to procure that the obligations or liabilities secured or guaranteed under all the Sixth CE Guarantee shall with effect from the completion of the Sixth SP Agreement no longer cover the outstanding loan owed by Grand Lucky and Baharica to the Sixth Beneficiary.

Financing

Gold Horse has agreed that if Smart Object needs to raise loans from banks or third parties for payment of the Sixth Provisional Consideration or the Sixth Consideration on the basis of Grand Lucky and/or Baharica providing securities (including those on the Southorn Centre Properties) to such banks or third parties, subject to compliance with all applicable laws and regulations, Gold Horse will procure Grand Lucky and/or Baharica to give reasonable assistance to Smart Object prior to or at the completion of the Sixth SP Agreement to facilitate the provision of such securities by Grand Lucky and/or Baharica upon completion of the Sixth SP Agreement.

Information of Grand Lucky and Baharica

Grand Lucky is an investment holding company incorporated in BVI and a direct wholly owned subsidiary of Gold Horse. After completion of the Sixth SP Agreement, Smart Object will become the beneficial owner of the entire issued share capital of Grand Lucky and Grand Lucky will cease to be a subsidiary of the Company. As at the date of this announcement, other than Baharica, Grand Lucky does not have any other material assets.

Baharica is an investment holding company incorporated in Hong Kong and a direct wholly owned subsidiary of Grand Lucky. After completion of the Sixth SP Agreement, Baharica will cease to be a subsidiary of the Company. As at the date of this announcement, other than the Southorn Centre Properties, Baharica does not have any other material assets.

A summary of the unaudited consolidated results of Grand Lucky and Baharica for each of the two years ended 31 December 2008 and 2009 is set out below:

	For the year ended 31 December 2008 (HK\$million)	For the year ended 31 December 2009 (HK\$million)
Turnover	75.0	73.9
Fair value changes on investment properties	(271.0)	374.0
(Loss)/profit before taxation	(225.4)	424.1
(Loss)/profit after taxation	(174.2)	354.1
(Loss)/profit attributable to the equity holder	(174.2)	354.1

As at 31 March 2010, the unaudited consolidated net tangible asset of Grand Lucky and Baharica was approximately HK\$1,317.4 million and the aggregate amount of the Sixth Sale Loan was approximately HK\$2.7 million.

Information on the Southorn Centre Properties

Baharica is the owner of the Southorn Centre Properties, whose details are set out below:

The Southorn Centre Properties	Usage	Attributable interests to the Group
1. Shop No. 2 and Shop No. 3 on Ground Floor, Southorn Centre, No. 150 Hennessy Road, Hong Kong;	Commercial	100%
2. Commercial Accommodation on 1 st Floor and 2 nd Floor, Southorn Centre, No. 130 Hennessy Road, Hong Kong; and	Commercial	100%
3. Staircase facing O'Brien Road (for Exclusive Use to Commercial Accommodation on 1/F & 2/F Southorn Centre), Ground Floor Service Lift Area (for Exclusive Use to Commercial Accommodation on 1/F & 2/F Southorn Centre) and Staircase facing Hennessy Road (for Exclusive Use to Commercial Accommodation on 1/F & 2/F Southorn Centre), No. 130 Hennessy Road, Hong Kong	Commercial	100%

CONDITION

Completion of each of the SP Agreements is conditional upon the satisfaction of the condition precedent that all necessary approvals by the Independent Shareholders at the SGM in a manner as required by the Stock Exchange or under the Listing Rules, the bye-laws of the Company and the applicable legislation have been obtained.

If the above condition precedent is not fulfilled on or before 30 September 2010 (or such later date as may be agreed between the respective vendor and purchaser of each of the SP Agreements), the SP Agreements shall thereupon terminate whereupon none of the parties shall have any claim against the other for costs, damages, compensation or otherwise (save in respect of any prior breach).

COMPLETION

Subject to the above condition precedent having been satisfied, completion of each of the SP Agreements shall take place on a Business Day to be selected and notified in writing by the respective purchaser to the respective vendor of each of the SP Agreements for the purpose of completion after the satisfaction of the above condition precedent, provided that:-

- (a) such Business Day shall not be earlier than the third Business Day after the date of the Selection Notice;
- (b) such Business Day shall fall within the period of 120 days after the date on which the above condition precedent has been satisfied; and
- (c) if no Selection Notice is given by the respective purchaser to the SP Agreements, the completion date shall be the last Business Day during the aforesaid 120-day period.

The SP Agreements need not be completed simultaneously and their completion can take place on different dates.

Based on the book value of the subject assets to be sold under the SP Agreements in the accounts of the Group as at 31 March 2010 and the current estimated aggregate consideration which will be received by the Group under the Disposal Transactions, it is expected that the Group will record a loss of approximately HK\$1,231.2 million upon completion of the Disposal Transactions.

REASONS FOR THE DISPOSAL TRANSACTIONS

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

The disposals under the various SP Agreements will provide a good opportunity for the Group to realize a sizeable portion of retail property portfolio in Hong Kong and provide additional funding for the Group to pursue property and other investment opportunities when available.

The Directors (excluding the independent non-executive Directors, whose views will be provided after taking into account the opinion and advice from the independent financial adviser to be appointed) consider that the terms of each of the SP Agreements are fair and reasonable and are on normal commercial terms and in the interest of the Group and the Shareholders as a whole.

USE OF PROCEEDS

Upon completion of various SP Agreements, the Group is expected to receive cash in the sum of approximately HK\$2,587.4 million (assuming no repayment of bank loan owed by Baharica under the Sixth SP Agreement) or HK\$ 3,382.4 million (assuming repayment of bank loan owed by

Baharica and such repayment is financed by the Group (other than the Target Companies) under the Sixth SP Agreement). In the latter case, however, the net cash inflow to the Group under the Disposal Transactions is still approximately HK\$2,587.4 million because though the Group will receive an additional sum of about HK\$795.0 million from Smart Object under the Sixth SP Agreement in the latter case, the Group needs to pay off the bank loan of about HK\$795.0 million owed by Baharica upon or before completion of the Sixth SP Agreement, thus offsetting the additional sum of about HK\$795.0 million to be received from Smart Object under the Sixth SP Agreement.

If the SP Agreements are approved by Independent Shareholders at the SGM, it is intended that a special dividend of HK40 cents per share or approximately HK\$780 million be proposed for distribution to the Shareholders at the board meeting approving the interim results of the Group for the half year ending 30th June, 2010. The remaining net proceeds will be used partly for repayment of existing bank loans and partly as general working capital of the Group.

INFORMATION ON THE PURCHASERS UNDER THE SP AGREEMENTS

Each of Tycoon City, Energy Kingdom, Glory City, Rich Force and Smart Object is an investment holding company wholly owned and established by Mr. Lau for the purpose of holding the various assets to be acquired under the SP Agreements.

COMPETING INTERESTS

After completion of the SP Agreements, Mr. Lau will through the respective purchasers of the SP Agreements hold the Properties, which compete or may compete with the properties owned by the Group for potential tenancies, especially in the core shopping area of Causeway Bay, Hong Kong where the bulk of the Properties, and the Group's self-owned prime retail property portfolio, are located. In order to manage the potential competition between Mr. Lau's interests in the Properties and the property interests of the Group, Mr. Lau has undertaken in each of the SP Agreements (except for the Third SP Agreement) that:-

- (a) so long as he and/or his associates (as defined in Chapter 1 of the Listing Rules) are the owner(s) of the relevant Properties and so long as he or his associate(s) is a director of the Company, he will not and will procure his associates not to accept or enter into any lease, tenancy or license of the relevant Properties with any potential or prospective tenant or licensee unless (i) he and/or his associates have referred the potential or prospective tenant or licensee to the Group for a potential lease, tenancy or license of the properties owned by the Group and (ii) following such referral, the Group has declined to enter into such potential lease, tenancy or license or has not notified Mr. Lau or his associate its decision to accept the potential tenant or licensee within 3 weeks of such referral; and
- (b) so long as Sunny Ocean, Viewwide, Glory City, Rich Force and Smart Object are associates of Mr. Lau and so long as Mr. Lau or his associate(s) is a director of the Company, the Property Manager shall, in the provision of its free leasing agency and management services for the Properties under the relevant SP Agreements after completion of the Disposal Transactions, be entitled to recommend similar property owned by the Group to the potential tenants of the Properties for their consideration first, and only when such potential tenants refuse to consider the properties of the Group, the Property Manager shall promote the Properties to them.

The Board (excluding the independent non-executive Directors, whose views will be provided after taking into account the opinion and advice from the independent financial adviser to be appointed) considers that the above measures are able to help resolve the potential competition conflict between Mr. Lau and the Group that may follow from completion of the Disposal Transactions.

LISTING RULES IMPLICATIONS FOR DISPOSAL TRANSACTIONS

As Mr. Lau, who held 1,429,643,768 Shares, representing approximately 73.31% of the total issued Shares as at the date of this announcement, is a director and the sole beneficial owner of the respective purchaser of each of the SP Agreements, the Disposal Transactions constitute connected transactions for the Company under Rule 14A.13(1)(a) of the Listing Rules. The Disposal Transactions will therefore be subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. As the applicable percentage ratios under Chapter 14 of the Listing Rules for the Disposal Transactions exceed 5% but are less than 25%, the Disposal Transactions also constitute discloseable transactions for the Company.

Pursuant to the Stock Exchange Undertaking, the Company has undertaken to the Stock Exchange that it will not enter into a Specified Transaction with a Related Party which is for a consideration or in respect of a principal amount which, when aggregated with the consideration or principal amount of any other Specified Transaction(s) between the Company or any of its subsidiaries and any Related Party carried into effect during the previous twelve months, exceeds HK\$200 million, unless the approval of the Shareholders at a general meeting of the Company at which the Related Party will abstain from voting is obtained. As Mr. Lau is a director and the sole beneficial owner of the respective purchaser of the SP Agreements, each of Tycoon City, Energy Kingdom, Glory City, Rich Force and Smart Object and Mr. Lau is a Related Party for the purpose of the Stock Exchange Undertaking. The Disposal Transactions will therefore constitute Specified Transactions and will be subject to the approval by the Shareholders at a general meeting of the Company at which any Shareholder who is a Related Party will abstain from voting.

INTRODUCTION: PROPERTY MANAGEMENT AGREEMENTS

It is a term of the First SP Agreement, the Second SP Agreement and the Sixth SP Agreement that upon completion of the First SP Agreement, the Second SP Agreement and the Sixth SP Agreement respectively, the following CCT Agreements will be entered into between the Property Manager and the then owners of the First Excelsior Properties, the Second Excelsior Properties and the Southorn Centre Properties in respect of the property management of the First Excelsior Properties, the Second Excelsior Properties and the Southorn Centre Properties:-

1. the Sunny Ocean CCT Agreement, which relates to the First Excelsior Properties and shall be entered into upon completion of the First SP Agreement;
2. the Viewide CCT Agreement, which relates to the Second Excelsior Properties and shall be entered into upon completion of the Second SP Agreement; and
3. the Baharica CCT Agreement, which relates to the Southorn Centre Properties and shall be entered into upon completion of the Sixth SP Agreement.

The major terms of each of the CCT Agreements are set out below.

(1) The Sunny Ocean CCT Agreement

Date:

To be dated the date of completion of the First SP Agreement (the “**First Completion Date**”).

Parties:

- (a) the Property Manager; and
- (b) Sunny Ocean, which will cease to be a subsidiary of the Company and become an associate of Mr. Lau upon completion of the First SP Agreement.

Services to be provided:

The Property Manger will provide Sunny Ocean with property management services for the First Excelsior Properties, which will include all matters relating to the management, operation, servicing, maintenance and repair of the First Excelsior Properties.

Term:

The Sunny Ocean CCT Agreement shall commence on the First Completion Date for a period of three years provided that it may be terminated before expiry by either party with 3 months’ prior notice.

Remuneration:

Sunny Ocean shall pay the Property Manager a monthly remuneration for the provision of the property management services calculated at a rate of HK\$10.00 (or such other rate as may be agreed between the parties during the term of the Sunny Ocean CCT Agreement) per square foot of the manageable floor area of the First Excelsior Properties which are from time to time subject to management by the Property Manager under the Sunny Ocean CCT Agreement. Based on the current manageable floor area of the First Excelsior Properties of 6,530 square feet as at today and the current agreed rate of HK\$10.00 per square foot, the monthly remuneration is HK\$65,300.

Termination by default:

Either party may terminate the Sunny Ocean CCT Agreement on the grounds of bankruptcy or winding-up of the other party or material breach by the other party of this agreement.

(2) The Viewide CCT Agreement

Date:

To be dated the date of completion of the Second SP Agreement (the “**Second Completion Date**”).

Parties:

- (a) the Property Manager; and
- (b) Viewide, which will cease to be a subsidiary of the Company and become an associate of Mr. Lau upon completion of the Second SP Agreement.

Services to be provided:

The Property Manger will provide Viewide with property management services for the Second Excelsior Properties, which will include all matters relating to the management, operation, servicing, maintenance and repair of the Second Excelsior Properties.

Term:

The Viewide CCT Agreement shall commence on the Second Completion Date for a period of three years provided that it may be terminated before expiry by either party with 3 months' prior notice.

Remuneration:

Viewide shall pay the Property Manager a monthly remuneration for the provision of the property management services calculated at a rate of HK\$15.50 (or such other rate as may be agreed between the parties during the term of the Viewide CCT Agreement) per square foot of the manageable floor area of the Second Excelsior Properties which are from time to time subject to management by the Property Manager under the Viewide CCT Agreement. Based on the current manageable floor area of the Second Excelsior Properties of 45,883 square feet as at today and the current agreed rate of HK\$15.50 per square foot, the monthly remuneration is HK\$711,186.50.

Termination by default:

Either party may terminate the Viewide CCT Agreement on the grounds of bankruptcy or winding-up of the other party or material breach by the other party of this agreement.

(3) The Baharica CCT Agreement**Date:**

To be dated the date of completion of the Sixth SP Agreement (the “**Sixth Completion Date**”).

Parties:

- (a) the Property Manager; and
- (b) Baharica, which will cease to be a subsidiary of the Company and become an associate of Mr. Lau upon completion of the Sixth SP Agreement.

Services to be provided:

The Property Manger will provide Baharica with property management services for the Southorn Centre Properties, which will include all matters relating to the management, operation, servicing, maintenance and repair of the Southorn Centre Properties.

Term:

The Baharica CCT Agreement shall commence on the Sixth Completion Date for a period of three years provided that it may be terminated before expiry by either party with 3 months' prior notice.

Remuneration:

Baharica shall pay the Property Manager a monthly remuneration for the provision of the property

management services calculated at a rate of HK\$13.50 (or such other rate as may be agreed between the parties during the term of the Baharica CCT Agreement) per square foot of the manageable floor area of the Southorn Centre Properties which are from time to time subject to management by the Property Manager under the Baharica CCT Agreement. Based on the current manageable floor area of the Southorn Centre Properties of 36,716 square feet as at today and the current agreed rate of HK\$13.50 per square foot, the monthly remuneration is HK\$495,666.

Termination by default:

Either party may terminate the Baharica CCT Agreement on the grounds of bankruptcy or winding-up of the other party or material breach by the other party of this agreement.

ANNUAL CAPS

On the basis of the expected manageable floor area of the First Excelsior Properties, the Second Excelsior Properties and the Southorn Centre Properties subject to the Property Manager's management under the CCT Agreements, the charge rate per square foot of the First Excelsior Properties, the Second Excelsior Properties and the Southorn Centre Properties under the relevant CCT Agreements and a possible increase of such charge rate during the term of the CCT Agreements, the Board proposes to set the annual caps for each of the CCT Transactions as set out below:-

Transaction	Expected annual cap amounts			
	From the date of signing of the relevant CCT Agreement (which is assumed to be 1 October 2010 for the calculation of the expected cap in this table) to 31 December 2010 (the "First Period")	For the year ending 31 December 2011	For the year ending 31 December 2012	From 1 January 2013 to the date falling three years from the assumed date of signing the relevant CCT Agreement (the "Last Period")
	HK\$	HK\$	HK\$	HK\$
Sunny Ocean CCT Transaction	250,000 (subject to adjustment)	1,000,000	1,000,000	750,000 (subject to adjustment)
Viewide CCT Transaction	3,000,000 (subject to adjustment)	12,000,000	12,000,000	9,000,000 (subject to adjustment)
Baharica CCT Transaction	2,000,000 (subject to adjustment)	8,000,000	8,000,000	6,000,000 (subject to adjustment)

The basis of determination of the annual cap for the Sunny Ocean CCT Transaction is by reference to the total manageable floor area of the First Excelsior Properties of 6,530 square feet subject to the Property Manager's management under the Sunny Ocean CCT Agreement, the agreed charge

rate of HK\$10.00 per square foot under the Sunny Ocean CCT Agreement and a possible increase of such charge rate during the term of the Sunny Ocean CCT Agreement.

The basis of determination of the annual cap for the Viewide CCT Transaction is by reference to the total manageable floor area of the Second Excelsior Properties of 45,883 square feet subject to the Property Manager's management under the Viewide CCT Agreement, the agreed charge rate of HK\$15.50 per square foot under the Viewide CCT Agreement and a possible increase of such charge rate during the term of the Viewide CCT Agreement.

The basis of determination of the annual cap for the Baharica CCT Transaction is by reference to the total manageable floor area of the Southorn Centre Properties of 36,716 square feet subject to the Property Manager's management under the Baharica CCT Agreement, the agreed charge rate of HK\$13.50 per square foot under the Baharica CCT Agreement and a possible increase of such charge rate during the term of the Baharica CCT Agreement.

The annual cap amounts for the Sunny Ocean CCT Transaction, the Viewide CCT Transaction and the Baharica CCT Transaction for the First Period and the Last Period are only estimated figures on the assumption that the Sunny Ocean CCT Agreement, the Viewide CCT Agreement or the Baharica CCT Agreement will be signed on 30 September 2010, and shall therefore be adjusted or pro-rated on a daily basis to take into account the exact date of signing the relevant CCT Agreement.

If the amount of remuneration payable to the Property Manager under each of the CCT Agreements shall exceed the above expected annual caps (other than the pro-rated adjustments for the First Period and the Last Period) or where any CCT Agreement 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.

REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

As the Property Manager is engaged in the provision of property management services and thus have the necessary expertise, the Directors (excluding the independent non-executive Directors, whose views will be provided after taking into account the opinion and advice from the independent financial adviser to be appointed) consider that it is in the interest of the Group for the Property Manager to enter into the CCT Agreements. The Property Manager will receive remuneration for the services provided under the CCT Agreements, thus bringing stable and regular income to the Group.

For the property management services provided by the Group to third parties in Hong Kong, the Property Manager's remuneration charged by the Group is normally determined by reference to budgeted expenditure of the properties managed by the Group and a manager remuneration charged to third party.

As the Property Manager's remuneration under the CCT Agreements was determined in accordance with its usual practice for charging third parties for the provision of similar services, the Directors (excluding the independent non-executive Directors, whose views will be provided after taking into account the opinion and advice from the independent financial adviser to be appointed) consider that the terms of the CCT Agreements as part and parcel of the Disposal Transactions and the annual caps for each of the CCT Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS FOR THE CCT TRANSACTIONS

As Sunny Ocean, Viewide and Baharica will cease to be subsidiaries of the Company and become associates of Mr. Lau upon completion of the First SP Agreement, the Second SP Agreement and the Sixth SP Agreement, the entering into of the CCT Agreements upon completion of the Disposal Transactions will constitute continuing connected transactions for the Company under Rule 14A.14 of the Listing Rules. As all the CCT Agreements are to be entered into following completion of the Disposal Transactions and form part and parcel of the Transactions, the same are aggregated pursuant to Rule 14A.25 of the Listing Rules. As the applicable percentage ratios for the aggregate of the expected annual caps of the CCT Transactions as required under Rule 14A.25 of the Listing Rules are less than 2.5%, the CCT Transactions are only subject to the reporting and announcement requirements but exempted from the Independent Shareholders' approval requirements under the Listing Rules.

GENERAL

A circular containing, among others, details of the Transactions, the letter of advice from the independent financial adviser to the independent board committee and the Independent Shareholders, the recommendation from the independent board committee, certain financial information as required under the Listing Rules, further information of the Group and valuation report on the Properties together with the notice of SGM will be dispatched to the Shareholders as soon as practicable.

An independent financial adviser will be appointed to advise the independent board committee of the Company and the Independent Shareholders regarding the Transactions. An independent board committee of the Company has been appointed to advise the Independent Shareholders on whether or not the Transactions are in the interest of the Company and are fair and reasonable so far as the Independent Shareholders are concerned.

The Directors shall seek the approval of the Independent Shareholders on the Transactions at the SGM. Mr. Lau and his associates will abstain from voting on the resolution(s) approving the Transactions in accordance with Rule 14A.18 of the Listing Rules. Any vote exercised by the Independent Shareholders at the SGM shall be taken by poll.

DEFINITIONS

“associate(s)”	having the meaning ascribed thereto in the Listing Rules
“Baharica”	Baharica Limited, a company incorporated in Hong Kong and an indirect wholly owned subsidiary of the Company (held through Grand Lucky)
“Baharica CCT Agreement”	the property management agreement to be entered into between Baharica and the Property Manager relating to the Southorn Centre Properties upon completion of the Sixth SP Agreement
“Baharica CCT Transaction”	the transaction contemplated under the Baharica CCT Agreement
“Bingo Castle”	Bingo Castle Limited, a company incorporated in BVI and an indirect wholly owned subsidiary of the Company (held through Dynamic Source)

“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday or a Sunday) on which banks are generally open for business in Hong Kong
“BVI”	the British Virgin Islands
“CCT Agreements”	the Sunny Ocean CCT Agreement, the Viewwide CCT Agreement and the Baharica CCT Agreement collectively
“CCT Transactions”	the Sunny Ocean CCT Transaction, the Viewwide CCT Transaction and the Baharica CCT Transaction collectively
“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
“connected person(s)”	having the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal Transactions”	the transactions contemplated under the SP Agreements
“Dynamic Source”	Dynamic Source Limited, a company incorporated in BVI and an indirect wholly owned subsidiary of the Company (held through Gold Horse)
“Energy Kingdom”	Energy Kingdom Limited, a company incorporated in BVI and wholly owned by Mr. Lau indirectly
“Fair City”	Fair City Limited, a company incorporated in Hong Kong and an indirect wholly owned subsidiary of the Company
“Fifth SP Agreement”	the sale and purchase agreement dated 17 May 2010 and entered into among Fair City, the Company, Rich Force and Mr. Lau relating to the Second York Place Property
“First Assumed Debt”	all sums due and owing to any of Global Smart and Sunny Ocean by any member of the Group (excluding the Target Companies) as at the date of completion of the First SP Agreement
“First Completion Accounts”	the unaudited consolidated or combined income statement of Global Smart and Sunny Ocean for the period from 1 January 2010 and ending on the date of completion of the First SP Agreement and the unaudited consolidated or combined balance sheet of Global Smart and Sunny Ocean as at the date of completion of the First SP Agreement, each prepared in accordance with HKFRS
“First Excelsior Properties”	the properties held directly by Sunny Ocean, as set out under the paragraph headed “Information on the First Excelsior Properties” of this announcement

“First SP Agreement”	the sale and purchase agreement dated 17 May 2010 and entered into among Gold Horse, the Company, Tycoon City and Mr. Lau relating to the entire issued share capital of Global Smart and the amounts due by Global Smart and/or Sunny Ocean
“First York Place Property”	the property held directly by Fair City to be sold under the Fourth SP Agreement, as set out under the paragraph headed “Information on the First York Place Property” of this announcement
“Fourth SP Agreement”	the sale and purchase agreement dated 17 May 2010 and entered into among Fair City, the Company, Glory City and Mr. Lau relating to the First York Place Property
“Global Smart”	Global Smart Ltd., a company incorporated in BVI and an indirect wholly owned subsidiary of the Company (held through Gold Horse)
“Glory City”	Glory City Limited, a company incorporated in Hong Kong and wholly owned by Mr. Lau indirectly
“Gold Horse”	Gold Horse Limited, a company incorporated in BVI and an indirect wholly owned subsidiary of the Company
“Grand Lucky”	Grand Lucky Ltd., a company incorporated in BVI and an indirect wholly owned subsidiary of the Company (held through Gold Horse)
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholders”	Shareholders other than Mr. Lau and his associates
“Jolly Gain”	Jolly Gain Limited, a company incorporated in BVI and an indirect wholly owned subsidiary of the Company (held through Gold Horse)
“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
“Properties”	the First Excelsior Properties, the Second Excelsior Properties, the First York Place Property, the Second York Place Property and the Southorn Centre Properties collectively
“Property Manager”	Perfect World Company Limited, an indirect wholly owned subsidiary of the Company

“Related Party”	for the purpose of the Stock Exchange Undertaking, a director, substantial shareholder, a subsidiary or associated company of the Company (other than a wholly owned subsidiary of the Company) or an associate of any such person, save that any associated company of the Company which was formed with other independent third parties who is/are not connected person(s) (as defined in the Listing Rules) of the Company as a joint venture consortium to engage in real property development projects will not be regarded as a Related Party pursuant to the Stock Exchange Undertaking
“Rich Force”	Rich Force Limited, a company incorporated in Hong Kong and wholly owned by Mr. Lau indirectly
“Second Assumed Debt”	all sums due and owing to any of Jolly Gain and Viewide by any member of the Group (excluding the Target Companies) as at the date of completion of the Second SP Agreement
“Second Completion Accounts”	the unaudited consolidated or combined income statement of Jolly Gain and Viewide for the period from 1 January 2010 and ending on the date of completion of the Second SP Agreement and the unaudited consolidated or combined balance sheet of Jolly Gain and Viewide as at the date of completion of the Second SP Agreement, each prepared in accordance with HKFRS
“Second Excelsior Properties”	the properties held directly by Viewide, as set out under the paragraphs headed “Information on the Second Excelsior Properties” of this announcement
“Second SP Agreement”	the sale and purchase agreement dated 17 May 2010 and entered into among Gold Horse, the Company, Energy Kingdom and Mr. Lau relating to the entire issued share capital of Jolly Gain and the amounts due by Jolly Gain and/or Viewide
“Second York Place Property”	the property held directly by Fair City to be sold under the Fifth SP Agreement, as set out under the paragraph headed “Information on the Second York Place Property” of this announcement
“Selection Notice”	written notification stating a Business Day selected by the respective purchaser of the SP Agreements concerned for the purpose of completion of the relevant SP Agreements after the satisfaction of the condition precedent to such SP Agreement
“SGM”	a special general meeting of the Company to be convened for the purpose of the Independent Shareholders considering, and if thought fit, approving the Transactions
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Sixth Assumed Debt”	all sums due and owing to any of Grand Lucky and Baharica by any member of the Group (excluding the Target Companies) as at the date of completion of the Sixth SP Agreement

“Sixth Completion Accounts”	the unaudited consolidated or combined income statement of Grand Lucky and Baharica for the period from 1 January 2010 and ending on the date of completion of the Sixth SP Agreement and the unaudited consolidated or combined balance sheet of Grand Lucky and Baharica as at the date of completion of the Sixth SP Agreement, each prepared in accordance with HKFRS
“Sixth SP Agreement”	the sale and purchase agreement dated 17 May 2010 and entered into among Gold Horse, the Company, Smart Object and Mr. Lau relating to the entire issued share capital of Grand Lucky and the amounts due by Grand Lucky and/or Baharica
“Smart Object”	Smart Object Limited, a company incorporated in BVI and wholly owned by Mr. Lau indirectly
“Southern Centre Properties”	the properties held directly by Baharica, as set out under the paragraph headed “Information on the Southern Centre Properties” of this announcement
“SP Agreements”	the First SP Agreement, the Second SP Agreement, the Third SP Agreement, the Fourth SP Agreement, the Fifth SP Agreement and the Sixth SP Agreement collectively
“Specified Transaction(s)”	<p>for the purpose of the Stock Exchange Undertaking, a transaction between the Company or any of its subsidiaries and a Related Party being</p> <ul style="list-style-type: none"> (a) any acquisition or disposal of assets by the Company or any of its subsidiaries whether in the ordinary and usual course of business of such company and/or on normal commercial terms or not; (b) an arrangement or agreement whereby the Company or any of its subsidiaries directly or indirectly grants a loan or gives other financial assistance to a Related Party; or (c) an arrangement or agreement whereby the Company or any of its subsidiaries provides security, whether by guarantee or otherwise, for the due discharge of any obligation of a Related Party <p>which, in any such case, is for a consideration or in respect of a principal amount which, when aggregated with the consideration or principal amount of any other Specified Transaction(s) between the Company or any of its subsidiaries and any Related Party carried into effect during the previous twelve months, exceeds HK\$200 million</p>
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Stock Exchange Undertaking”	the undertaking provided by the Company to the Stock Exchange dated 20 September 1990 (as supplemented on 8 January 1991 and amended by letter dated 24 September 1996 from the Stock Exchange)
“Sunny Ocean”	Sunny Ocean Limited, a company incorporated in BVI and an indirect wholly owned subsidiary of the Company (held through Global Smart)

“Sunny Ocean CCT Agreement”	the property management agreement to be entered into between Sunny Ocean and the Property Manager relating to the First Excelsior Properties upon completion of the First SP Agreement
“Sunny Ocean CCT Transaction”	the transaction contemplated under the Sunny Ocean CCT Agreement
“Target Companies”	Global Smart, Sunny Ocean, Jolly Gain, Viewwide, Dynamic Source, Bingo Castle, Grand Lucky and Baharica collectively
“Third Assumed Debt”	all sums due and owing to any of Dynamic Source and Bingo Castle by any member of the Group (excluding the Target Companies) as at the date of completion of the Third SP Agreement
“Third Completion Accounts”	the unaudited consolidated or combined income statement of Dynamic Source and Bingo Castle for the period from 1 January 2010 and ending on the date of completion of the Third SP Agreement and the unaudited consolidated or combined balance sheet of Dynamic Source and Bingo Castle as at the date of completion of the Third SP Agreement, each prepared in accordance with HKFRS
“Third SP Agreement”	the sale and purchase agreement dated 17 May 2010 and entered into among Gold Horse, the Company, Tycoon City and Mr. Lau relating to the entire issued share capital of Dynamic Source and the amounts due by Dynamic Source and/or Bingo Castle
“Transactions”	the Disposal Transactions and the CCT Transactions collectively
“Tycoon City”	Tycoon City Limited, a company incorporated in BVI and wholly owned by Mr. Lau indirectly
“Viewwide”	Viewwide Properties Limited, a company incorporated in BVI and an indirect wholly owned subsidiary of the Company (held through Jolly Gain)
“Viewwide CCT Agreement”	the property management agreement to be entered into between Viewwide and the Property Manager relating to the Second Excelsior Properties upon completion of the Second SP Agreement
“Viewwide CCT Transaction”	the transaction contemplated under the Viewwide CCT Agreement
“%”	per cent.

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

Hong Kong, 18 May 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.

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