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CHINESE ESTATES HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 127)

ANNOUNCEMENT

CONTINUING CONNECTED TRANSACTION CONTRACT FOR SERVICES

On 19 March 2014, 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 the other CEL Companies to provide the Rental Services to Mr. Lau. The Contract commenced with retrospective effect from 15 March 2014 for 3 years, unless otherwise terminated earlier in accordance with the Contract.

Mr. Lau, being a substantial shareholder and a controlling shareholder of the Company who was interested in 1,430,700,768 Shares, representing approximately 74.99% 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, as the applicable percentage ratios of the Caps for the transactions contemplated under the Contract, whether on a standalone basis or when aggregated with the Existing Contracts for Services, exceed 0.1% but are less than 5%, the Contract and the Caps are only subject to reporting, announcement and annual review requirements but are exempted from the independent Shareholders' approval requirement pursuant to Rule 14A.34 of the Listing Rules.

INTRODUCTION

On 19 March 2014, 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 the other CEL Companies to provide the Rental Services to Mr. Lau.

THE CONTRACT

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

Date : 19 March 2014

Parties : CEL
Mr. Lau

Term

The Contract commenced with retrospective effect from 15 March 2014 for 3 years, unless otherwise terminated earlier which is set out under section headed "Termination" in this announcement.

Services provided by CEL Companies

CEL shall provide or procure any of the other CEL Companies to provide to Mr. Lau the Rental Services on the terms and conditions of the Contract and CEL's standard conditions from time to time in force. The Rental Services include the rental of motor vehicles, car plates, vessels, car parking spaces and such other rental services as requested by Mr. Lau and accepted by CEL at CEL's absolute and sole discretion from time to time.

CEL shall have the right to determine in its absolute discretion (i) whether to provide any of the Rental Services (which would otherwise fall within the scope of the Rental Services) and (ii) the terms on which and the scope within which such Rental Services will be provided, to the extent that (a) the provision of any such Rental Services will be unduly burdensome or will otherwise cause significant interruption or inconvenience to the business of any of the CEL Companies; or (b) in the sole opinion of CEL as and when the aggregate Service Charges payable to CEL under the Contract exceeding the relevant Caps.

Service Charges

Mr. Lau shall pay to CEL the Service Charges for the Rental Services. The Service Charges are calculated based on the estimated market rental of the relevant Rental Services from time to time plus a Margin as a mark up for profit. The current rate of the Margin in respect of the Rental Services is 30% of the estimated market rental of the relevant Rental Services. The said estimated market rental and the Margin are subject to revision or adjustment by CEL from time to time without prior notice to Mr. Lau, provided that in any event the Margin shall be no less than a rate of 30%.

In addition to the Service Charges, Mr. Lau shall reimburse CEL for all costs and expenses incurred by the CEL Companies in relation to the provision of the Rental Services unless such costs and expenses are already taken into account in the estimated market rental of the relevant Rental Services. The Service Charges and/or costs and expenses payable under the Contract shall be payable by Mr. Lau within 30 days of the presentation of the invoice by CEL.

Caps

For the purposes of the Listing Rules, the Caps of the Service Charges payable by Mr. Lau to CEL under the Contract are set out below:

For the period from 15 March 2014 to 31 December 2014	For the financial year ending 31 December 2015	For the financial year ending 31 December 2016	For the period from 1 January 2017 to 14 March 2017
<hr/> HK\$23,200,000	<hr/> HK\$29,000,000	<hr/> HK\$29,000,000	<hr/> HK\$5,800,000

The aggregate Service Charges payable by Mr. Lau under the Contract shall be subject to the Caps. The Caps are determined by reference to the annualised current estimated market rental of the relevant Rental Services plus the Margin at the guaranteed rate and a reasonable buffer for any upward adjustments on the Service Charges charged by CEL or additional Rental Services that may be provided by the CEL Companies to Mr. Lau under the Contract.

Termination

The Contract may be terminated (i) by either party by giving to the other party a prior written notice of not less than 3 months or such shorter period as may be agreed by both parties; (ii) at any time on the ground of bankruptcy or winding-up of either party; or (iii) by a party on a material breach of the other party which has not been remedied by the other party of the Contract within 1 month after being notified of such breach by the non-defaulting party in writing.

CEL shall also be entitled to terminate the Contract forthwith without notice at any time if: (i) the continuing performance by CEL of its obligations thereunder will or is likely to result in a breach or non-compliance of the Listing Rules by the Company; (ii) the Stock Exchange disapproves the transactions contemplated under the Contract; or (iii) the Stock Exchange revokes any waiver or consent (if any) previously granted for the transactions contemplated under the Contract.

Termination in accordance with the above shall be without prejudice to any claim for any antecedent breach, non-observance or non-performance of the terms or conditions in the Contract.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CONTRACT

Since the Group currently does not have a better use of the assets under the Rental Services, the provision of the Rental Services to Mr. Lau for Service Charges at a high mark up for profit above the estimated market rental of such assets is considered to be the best deploy of such assets for the time being. Also, the Contract will generate income to the Group as CEL will receive Service Charges with a guaranteed rate of high mark up for profit for the Rental Services provided under the Contract. Further, the terms of the Contract (including the Service Charges calculated based on the estimated market rental plus a Margin) are arrived at after arm's length negotiation and with no unusual or onerous obligations on the part of CEL. In view of the above, the Directors including the independent non-executive Directors, considered that 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 its 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.

INFORMATION OF THE GROUP

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

LISTING RULES IMPLICATION

Mr. Lau, being a substantial shareholder and a controlling shareholder of the Company who was interested in 1,430,700,768 Shares, representing approximately 74.99% 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 Rule 14A.14 of the Listing Rules.

Pursuant to Chapter 14A of the Listing Rules, as the applicable percentage ratios of the Caps for the transactions contemplated under the Contract, whether on a standalone basis or when aggregated with the Existing Contracts for Services, exceed 0.1% but are less than 5%, the Contract and the Caps are only subject to reporting, announcement and annual review requirements but are exempted from the independent Shareholders' approval requirement pursuant to Rule 14A.34 of the Listing Rules.

None of the Directors has a material interest in the Contract. Notwithstanding the above, since Mr. Lau is a party to the Contract, Mr. Lau, Ming-wai, Ms. Chan, Sze-wan, Ms. Lui, Lai-kwan and Ms. Amy Lau, Yuk-wai are deemed to have interests in the Contract and they who were present at the meeting have abstained from voting on the resolutions of the Board approving the Contract and the transactions contemplated thereunder.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto under Chapters 1 and 14A of the Listing Rules;
“Board”	the board of Directors;
“Caps”	for the purpose of Chapter 14A of the Listing Rules, means (i) HK\$23,200,000 for the period from 15 March 2014 to 31 December 2014; (ii) HK\$29,000,000 for each of the two financial years ending 31 December 2015 and 2016; and (iii) HK\$5,800,000 for the period from 1 January 2017 to 14 March 2017, being the maximum amounts of Service Charges payable by Mr. Lau to CEL under the Contract for the respective periods;
“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;
“connected person”	has the meaning ascribed to it in the Listing Rules;
“Contract”	the contract for services dated 19 March 2014 entered into between CEL and Mr. Lau in respect of the provision of the Rental Services;
“controlling shareholder”	has the meaning ascribed to it in the Listing Rules;
“Director(s)”	director(s) of the Company;
“Existing Contracts for Services”	collectively, (i) the existing contract for services dated 15 July 2013 entered into between CEL and Mr. Lau in respect of the provision of (a) property management services; (b) leasing administration services; and (c) general administration services for commercial

properties as specified by Mr. Lau and accepted by CEL which are related to Mr. Lau and/or his associates, the details of which had been disclosed in an announcement of the Company dated 15 July 2013; and (ii) the existing contract for services dated 14 December 2012 entered into between CEL and Mr. Lau in respect of the provision of management and maintenance services to the properties and related assets as specified by Mr. Lau and accepted by CEL which are related to Mr. Lau and/or his associates, the details of which had been disclosed in an announcement of the Company dated 14 December 2012;

“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;
“Margin”	a premium (at such rate or of such amount as shall be determined by CEL in its sole and absolute discretion from time to time, which in any event shall be no less than a rate of 30%);
“Mr. Lau”	Mr. Joseph Lau, Luen-hung, a substantial shareholder and a controlling shareholder of the Company;
“Rental Services”	the rental of motor vehicles, car plates, vessels, car parking spaces and such other rental services as requested by Mr. Lau and accepted by CEL at CEL’s absolute and sole discretion from time to time;
“Service Charges”	the service charges (inclusive of the Margin) payable for the Rental Services by Mr. Lau to CEL;
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Shareholders”	the holders of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	has the meaning ascribed to it in the Listing Rules; and
“%”	per cent.

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

Hong Kong, 19 March 2014

As at the date of this announcement, the Board comprised Mr. Lau, Ming-wai, Ms. Chan, Sze-wan, Mr. Lam, Kwong-wai and Ms. Lui, Lai-kwan as Executive Directors, Ms. Amy Lau, Yuk-wai as Non-executive Director, and Mr. Chan, Kwok-wai, Ms. Phillis Loh, Lai-ping and Mr. Ma, Tsz-chun as Independent Non-executive Directors.

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