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

ANNOUNCEMENT

**CONTINUING CONNECTED TRANSACTIONS
CONTRACT FOR SERVICES**

CEL, a direct wholly-owned subsidiary of the Company, has been providing (or procuring the provision of) the Existing Services to Mr. Lau and/or his associates under the Existing Contracts for Services. To (i) streamline and consolidate the terms in relation to the provision of the Existing Services under a single contract and standardise the periods for provision of such Existing Services; and (ii) modify the types and scope of the services to be provided to Mr. Lau and/or his associates, CEL and Mr. Lau entered into the Contract on 31 October 2014 in respect of the provision of the Services. The term of the Contract will commence on 1 November 2014 for 3 years unless otherwise terminated earlier in accordance with the Contract. With effect from 1 November 2014, all Existing Contracts for Services will be superseded and replaced by the Contract.

Mr. Lau, being a substantial shareholder and 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.31 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 exceed 0.1% but are expected to be 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.76 of the Listing Rules.

INTRODUCTION

CEL, a direct wholly-owned subsidiary of the Company, has been providing (or procuring the provision of) the Existing Services to Mr. Lau and/or his associates under the Existing Contracts for Services. To (i) streamline and consolidate the terms in relation to the provision of the Existing Services under a single contract and standardise the periods for provision of such Existing Services; and (ii) modify the types and scope of the services to be provided to Mr. Lau and/or his associates, CEL and Mr. Lau entered into the Contract on 31 October 2014 in respect of the provision of the Services.

THE CONTRACT

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

Date of the Contract	:	31 October 2014
Commencement Date	:	1 November 2014
Parties	:	CEL Mr. Lau

Term

The term of the Contract will commence on 1 November 2014 for 3 years unless otherwise terminated earlier as set out under the section headed "Termination" in this announcement. With effect from 1 November 2014, all the Existing Contracts for Services will be superseded and replaced by the Contract.

Services to be provided by the CEL Companies

CEL shall provide (or procure the provision of) the following Services to Mr. Lau and/or his associates on the terms and conditions of the Contract and the standard terms and conditions of the relevant CEL Companies from time to time in force:-

(1) The Leasing Administration Services

CEL shall provide or procure any of the other CEL Companies to provide to Mr. Lau and/or his associates who is/are the owner(s) of the Properties in respect of all matters relating to leasing of the Properties (including without limitation matters relating to dealing with tenants, rent collection and taking legal actions, but excluding any services in relation to the referral of potential tenants and the negotiation with existing and/or potential tenants regarding terms of lease of the Properties).

(2) The Property Management Services

CEL shall provide or procure any of the other CEL Companies to provide to Mr. Lau and/or his associates who is/are the owner(s) of the Properties in respect of all matters relating to management, maintenance, operation, servicing and repairs of the Properties.

(3) The Property Administration Services

CEL shall provide or procure any of the other CEL Companies to provide to Mr. Lau and/or his associates who is/are the owner(s) of the Properties such other administration services (including without limitation accounting, recruitment, human resources administration works, taxation, marketing and information technology services) for the Properties as may be requested by Mr. Lau and accepted by CEL at the absolute and sole discretion of CEL from time to time.

(4) The Asset Management and Maintenance Services

CEL shall provide or procure any of the other CEL Companies to provide to Mr. Lau and/or his associates property, household and other management and maintenance

services in relation to the Assets as requested by Mr. Lau and accepted by CEL at the absolute and sole discretion of CEL from time to time.

(5) The Rental Services

CEL shall provide or procure any of the other CEL Companies to provide to Mr. Lau and/or his associates the rental of motor vehicles, car plates, vessels, car parking spaces, premises and such other rental services as requested by Mr. Lau and accepted by CEL at the absolute and sole discretion of CEL from time to time.

(6) The Advisory and Consultancy Services

CEL shall provide or procure any of the other CEL Companies to provide to Mr. Lau and/or his associates general advisory, consultancy, administration, liaison, personnel support services and such other services ancillary and/or incidental thereto as may be requested by Mr. Lau and accepted by CEL at the absolute and sole discretion of CEL from time to time.

(7) The Other Ordinary Services

CEL shall provide or procure any of the other CEL Companies to provide to Mr. Lau and/or his associates such services (including without limitation securities and other financial services) which are being provided by any CEL Company in its ordinary and usual course of business, as may be requested by Mr. Lau and accepted by CEL at the absolute and sole discretion of CEL from time to time.

Exclusion from the Services

CEL shall have the right to determine in its absolute discretion (a) whether to provide or continue to provide or suspend any services (which would otherwise fall within the scope of the Services) and (b) on what terms, within what scope and to what extent such Services will be provided, to the extent that such services are:-

- (i) services which in the sole opinion of CEL will be unduly burdensome or will otherwise cause significant interruption or inconvenience to the business of the Group; or
- (ii) services in the sole opinion of CEL as and when the aggregate Service Charges payable by Mr. Lau exceeds or may exceed the Cap for the respective period or financial year as announced by the Company from time to time.

The Service Charges

In respect of all of the Services (other than the Property Management Services, the Rental Services and the Other Ordinary Services)

Mr. Lau shall pay to CEL (or as CEL may direct) charges calculated at such hourly charge-out rate (being cost plus the Margin) as may be specified by CEL from time to time in relation to the time spent by the staff or representatives of the CEL Companies in providing such Services. Such hourly charge-out rates (inclusive of the Margin) are subject to revision or adjustment by CEL, including without limitation addition or reduction of staff and adjustment of hourly charge-out rates, from time to time without prior notice to Mr. Lau.

In respect of the Property Management Services

The charges for the provision of the Property Management Services in relation to the Properties (other than the Excelsior Properties) payable by Mr. Lau to CEL (or as CEL may direct) are calculated in the following manner:-

- (i) charges at such hourly charge-out rates (being cost plus the Margin) as may be specified by CEL from time to time in relation to the time spent by the staff or representatives of the CEL Companies in providing such Services. Such hourly charge-out rates (inclusive of the Margin) are subject to revision or adjustment by CEL, including without limitation addition or reduction of staff and adjustment of hourly charge-out rates, from time to time without prior notice to Mr. Lau; and
- (ii) in addition to the charges provided in (i) above, 10% of the total annual expenses, costs and charges (other than certain specified costs) necessarily and reasonably incurred in the management of the Properties (other than the Excelsior Properties) respectively.

The charges for the provision of the Property Management Services in relation to the Excelsior Properties payable by Mr. Lau to CEL (or as CEL may direct) are calculated in the following manner:-

- (i) in respect of any Relevant Property Management Services provided under the Contract overlapping with the services which may be provided by the manager of the Excelsior Plaza under the Sub-DMC, the Relevant Property Management Services shall be deemed provided, and charged against Mr. Lau under the Contract and no additional charge for the Relevant Property Management Services shall be charged against Mr. Lau (or the respective owner(s) of the Excelsior Properties) under the Sub-DMC;
- (ii) in respect of services other than the Relevant Property Management Services, the charges for such services shall be calculated at such hourly charge-out rates (being cost plus the Margin) as may be specified by CEL from time to time in relation to the time spent by the staff or representatives of the CEL Companies in providing the Property Management Services. Such hourly charge-out rates (inclusive of the Margin) are subject to revision or adjustment by CEL, including without limitation addition or reduction of staff and adjustment of hourly charge-out rates, from time to time without prior notice to Mr. Lau; and
- (iii) in addition to the charges provided in (ii) above, 10% of the total annual expenses, costs and charges (other than certain specified costs) necessarily and reasonably incurred in the management of the Excelsior Properties.

In respect of the Rental Services

Mr. Lau shall pay to CEL (or as CEL may direct) charges calculated based on the estimated market rental of the relevant Rental Services from time to time plus the Margin. 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.

In respect of the Other Ordinary Services

Mr. Lau shall pay to CEL (or as CEL may direct) charges as may be specified by CEL from time to time calculated at a standardised rate or a rate no less favourable than the charges

charged to independent third parties in the ordinary and usual course of business for the provision of similar services of comparable type and transaction amounts.

In addition to the payment of the Service Charges above, Mr. Lau shall also bear and reimburse CEL (or as CEL may direct) for all costs and expenses incurred by the CEL Companies for the provision of the Services.

Termination

The Contract may be terminated (i) by either party by giving a prior written notice to the other party 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 within 1 month.

CEL shall also be entitled to terminate the Contract by giving Mr. Lau a written notice of not less than 1 month (or such shorter period as may be agreed by both parties or required by the Stock Exchange) 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.

HISTORICAL AMOUNTS AND PROPOSED ANNUAL CAPS

The aggregate amounts received by the Group for the Existing Services under the Existing Contracts for Services was HK\$31,506,000 for the financial year ended 31 December 2013 and HK\$19,319,000 for the six months ended 30 June 2014.

Having considered (i) the historical transaction amounts of similar services provided under the Existing Contracts for Services; (ii) the estimated Service Charges for additional services to be provided under the Contract; and (iii) allowing a reasonable buffer for any upward adjustments on the Service Charges charged by CEL (including due to inflation or otherwise), the Board proposed that the aggregate Service Charges payable by Mr. Lau for all the Services under the Contract shall not exceed the Caps for the respective period or financial year below:-

For the period from 1 November 2014 to 31 December 2014	For the financial year ending 2015	For the financial year ending 2016	For the period from 1 January 2017 to 31 October 2017
HK\$21,391,781	HK\$128,000,000	HK\$128,000,000	HK\$106,608,219

REASONS FOR AND BENEFITS OF ENTERING INTO THE CONTRACT

The Contract will streamline and consolidate the terms in relation to the provision of the Existing Services under a single contract and standardise the periods for provision of such

Existing Services. It will provide a single basis on which the Company will comply with the relevant reporting, announcement and annual review requirements (to the extent applicable) in compliance with the Listing Rules and thereby reduce the administrative burden and costs on the Company to comply with such requirements.

In addition, similar to the reasons and benefits of entering into the Existing Contracts for Services, the Contract will continue to generate income to the Group as the Group will continue to receive the Service Charges with a guaranteed rate of high mark up for profit for the Services (other than the Relevant Property Management Services and the Other Ordinary Services). As regards the Relevant Property Management Services and the Other Ordinary Services, such services will be provided in the ordinary and usual course of business of the Group on terms no less favourable than those offered to independent third parties for similar services. The terms of the Contract (including the basis of the Service Charges and, where applicable, the guaranteed rate of the 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 (i) the Contract is on normal commercial terms and the terms of the Contract and the Caps are fair and reasonable; (ii) the provision of the Services (other than household management and maintenance services under the Asset Management and Maintenance Services, the Property Administration Services, the Rental Services and the Advisory and Consultancy Services) contemplated under the Contract are in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole. Having considered the reasons and benefits in respect of the provision of household management and maintenance services under the Asset Management and Maintenance Services, the Property Administration Services, the Rental Services and the Advisory and Consultancy Services as mentioned above, the Directors (including the independent non-executive Directors) are of the view that, although the provision of such services contemplated under the Contract are not in the ordinary and usual course of business of the Group, the terms of such services are fair and reasonable so far as the Group are concerned and on normal commercial terms, and are in the interests of the Company and its Shareholders as a whole.

The independent non-executive Directors and the Company's external auditors will conduct annual review on the continuing connected transactions contemplated under the Contract to confirm that, among others, such transactions are in accordance with the pricing policies stated in the Contract and have been entered into in accordance with the Contract in accordance with Rule 14A.55 and Rule 14A.56 of the Listing Rules respectively.

If the amount of the 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 if 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 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.31 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 exceed 0.1% but are expected to be 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.76 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 the above persons 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:-

“Advisory and Consultancy Services”	the Advisory and Consultancy Services as specified under the Contract and summarised in the section headed “Services to be provided by the CEL Companies” in this announcement;
“Assets”	collectively, properties (including without limitation the fixtures, fittings, information technology related devices and equipment therein) and related assets and such other assets of a nature normally requiring management service, maintenance service or other similar services which are beneficially owned by or are held by entities beneficially owned by Mr. Lau and/or his associates and related parties;
“Asset Management and Maintenance Services”	the Asset Management and Maintenance Services as specified under the Contract and summarised in the section headed “Services to be provided by the CEL Companies” in this announcement;
“associate(s)”	has the meaning ascribed thereto under Chapter 14A of the Listing Rules;
“Board”	the board of Directors;
“Cap”	for the purpose of Chapter 14A of the Listing Rules, the maximum amount of the Service Charges payable under the Contract in respect of the provision of the Services for the respective period or financial year as set out in the section

headed “Historical Amounts and Proposed Annual Caps” in this announcement, collectively the “Caps”;

- “**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, and any one of the CEL Companies shall refer to as a “**CEL Company**”;
- “**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 31 October 2014 entered into between CEL and Mr. Lau in respect of the provision of the Services which term will commence on 1 November 2014;
- “**controlling shareholder**” has the meanings ascribed to it in the Listing Rules;
- “**Director(s)**” director(s) of the Company;
- “**Excelsior Plaza**” the shopping mall at Causeway Bay, Hong Kong comprising: (i) all those parts or portions of the Ground Floor, the First Floor, the Second Floor and main roof of Chee On Building, (ii) all those parts or portions of the Ground Floor, the First Floor, the Second Floor and main roof of Yee On Building and (iii) Annex Land Building occupying Subsection 2 of Section G of Marine Lot No. 52 and the Extension, Section B of Subsection 1 of Section A of Marine Lot No. 52 and the Extension thereto, Subsection 3 of Section G of Marine Lot No. 52 and the Extension thereto, the Remaining Portion of Inland Lot No. 469 and the Remaining Portion of Section A of Inland Lot No. 470 and Subsection 1 of Section G of Marine Lot No. 52 and the Extension thereto and Section A of Subsection 1 of Section A of Marine Lot No. 52 and the Extension thereto;
- “**Excelsior Properties**” the properties comprising: (i) Shop Nos. 1 to 3 and 6 to 12 on Ground Floor and Unit Nos. 6 to 11 on 1st 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, 1st Floor and 2nd Floor and the Main Roof of Yee On Building, Excelsior Plaza, Nos. 24-26 East Point Road, Causeway Bay, Hong Kong; (ii) Shop No. 31 on 1st Floor, Shop No. 32 (Part) on Ground Floor, 1st Floor and 2nd Floor, Shop No. 32 (Part)

on 2nd Floor, External Walls on Ground Floor, 1st Floor and 2nd Floor, Reserved shares for the Naming Right in respect of Ground Floor, 1st Floor and 2nd Floor and Main Roof of Chee On Building of Excelsior Plaza, No. 24 East Point Road, Causeway Bay, Hong Kong; (iii) Reserved Area (Unit G) on 2nd Floor, Shop No. 32 (Part) on 2nd Floor and Reserved shares of and in the Land and Yee On Building forming part of the Excelsior Plaza in respect of Ground Floor, 1st Floor and 2nd Floor of Yee On Building of Excelsior Plaza, No. 26 East Point Road, Causeway Bay, Hong Kong; and (iv) Shop No. 32 (Part) on 2nd 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, 1st Floor and 2nd 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;

“Existing Contracts for Services”

collectively, (i) the contract for services dated 14 December 2012 entered into between CEL and Mr. Lau in respect of the provision of property, household and other management and maintenance services expiring on 31 December 2015; (ii) the contract for services dated 15 July 2013 entered into between CEL and Mr. Lau in respect of the provision of (a) leasing administration services; (b) property management services and (c) general administration services expiring on 14 July 2016; and (iii) the contract for services dated 19 March 2014 entered into between CEL and Mr. Lau in respect of the provision of rental services expiring on 14 March 2017, details of which as set out in the announcements of the Company dated 14 December 2012, 15 July 2013 and 19 March 2014 respectively;

“Existing Services”

collectively, (i) the property, household and other management and maintenance services; (ii) the leasing administration services; (iii) the property management services; (iv) the general administration services and (v) the rental services being provided to Mr. Lau and/or his associates pursuant to the Existing Contracts for Services;

“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;

“Leasing Administration Services”	the Leasing Administration Services as specified under the Contract and summarised in the section headed “Services to be provided by the CEL Companies” in this announcement;
“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 controlling shareholder of the Company;
“Other Ordinary Services”	the Other Ordinary Services as specified under the Contract and summarised in the section headed “Services to be provided by the CEL Companies” in this announcement;
“Properties”	such commercial properties as may be specified by Mr. Lau and accepted by CEL from time to time which are beneficially owned by Mr. Lau and/or his associates;
“Property Administration Services”	the Property Administration Services as specified under the Contract and summarised in the section headed “Services to be provided by the CEL Companies” in this announcement;
“Property Management Services”	the Property Management Services as specified under the Contract and summarised in the section headed “Services to be provided by the CEL Companies” in this announcement;
“Relevant Property Management Services”	those Property Management Services in relation to the Excelsior Properties provided under the Contract and overlapping with the services which may be provided by the manager of the Excelsior Plaza under the Sub-DMC;
“Rental Services”	the Rental Services as specified under the Contract and summarised in the section headed “Services to be provided by the CEL Companies” in this announcement;
“Services”	collectively (i) the Leasing Administration Services; (ii) the Property Management Services; (iii) the Property Administration Services; (iv) the Asset Management and Maintenance Services; (v) the Rental Services; (vi) the Advisory and Consultancy Services; and (vii) the Other Ordinary Services;

“Service Charges”	the charges payable by Mr. Lau for the Services pursuant to the Contract;
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	the holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Sub-DMC”	the Sub-sub-deed of Mutual Covenant and Management Agreement dated 1 September 1997 made between Perfect World Company Limited (an indirect wholly-owned subsidiary of the Company), Viewide Properties Limited and Sunny Ocean Limited;
“substantial shareholder”	has the meanings 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, 31 October 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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