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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 Ms. Chan and/or the Chan Associates under the Existing Contract. As the Existing Contract will expire on 31 October 2023, CEL and Ms. Chan entered into the Contract on 16 August 2023 to govern the continued provision of the same and/or similar services to Ms. Chan and/or the Chan Associates after expiry of the Existing Contract subject to the terms and conditions of the Contract. The term of the Contract will commence on 1 November 2023 for three (3) years unless otherwise terminated earlier in accordance with the Contract.

Ms. Chan, an executive Director, Chief Executive Officer of the Company and a trustee of the substantial shareholders of the Company (who are her minor children), indirectly holds an aggregate of approximately 74.99% of the total issued share capital of the Company as at the date of this announcement. Therefore, Ms. Chan is a connected person of the Company and the entering into of 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 (as defined in the Listing Rules) in respect of the Caps under the Contract exceed 0.1% but are less than 5% on an annual basis, the entering into of the Contract and the transactions contemplated thereunder are only subject to the reporting, announcement and annual review requirements but are exempt from the 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 Ms. Chan and/or the Chan Associates under the Existing Contract. As the Existing Contract will expire on 31 October 2023, CEL and Ms. Chan entered into the Contract on 16 August 2023 to govern the continued provision of the same and/or similar services to Ms. Chan and/or the Chan Associates after expiry of the Existing Contract subject to the terms and conditions of the Contract.

## **THE CONTRACT**

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

**Date of the Contract** : 16 August 2023  
**Commencement date** : 1 November 2023  
**Parties** : CEL  
Ms. Chan

### **Term**

The term of the Contract will commence on 1 November 2023 for three (3) years unless otherwise terminated earlier as set out under the sub-section headed “Termination” in this announcement.

### **Services to be provided by CEL Companies**

CEL shall provide (or procure the provision of) the following Services to Ms. Chan and/or the Chan 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 act or procure any of the other CEL Companies to act on behalf of Ms. Chan and/or the Chan Associates 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 provision of services (a) for any property in respect of which Ms. Chan has from time to time informed CEL that no such services are required and (b) 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 Sale Administration Services**

CEL shall act or procure any of the other CEL Companies to act on behalf of Ms. Chan and/or the Chan Associates in respect of all matters (if so requested by Ms. Chan and accepted by CEL at the absolute and sole discretion of CEL from time to time) relating to sale of the Properties (including without limitation the appointment of and coordination with estate agents for such sale but excluding any sale agency service).

#### **(3) The Property Management Services**

CEL shall act or procure any of the other CEL Companies to act on behalf of Ms. Chan and/or the Chan Associates in respect of all matters relating to management, maintenance, operation, servicing and repairs of the Properties (excluding any property in respect of which Ms. Chan has from time to time informed CEL that no such services are required).

**(4) The Property Administration Services**

CEL shall provide or procure any of the other CEL Companies to provide to Ms. Chan and/or the Chan Associates such other administration services (including without limitation accounting, recruitment, human resources administration works, taxation, marketing and information technology services) for the Properties or any part of them as may be requested by Ms. Chan and accepted by CEL at the absolute and sole discretion of CEL from time to time.

**(5) The Asset Management and Maintenance Services**

CEL shall provide or procure any of the other CEL Companies to provide to Ms. Chan and/or the Chan Associates with property, household and other management and maintenance services in relation to the Assets as may be requested by Ms. Chan and accepted by CEL at the absolute and sole discretion of CEL from time to time.

**(6) The Rental Services**

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

**(7) The Advisory and Consultancy Services**

CEL shall provide or procure any of the other CEL Companies to provide to Ms. Chan and/or the Chan Associates with general advisory, consultancy, administration, liaison, personnel support services and such other services (including without limitation accounting, human resources administration works, information technology and taxation services) ancillary and/or incidental thereto as may be requested by Ms. Chan and accepted by CEL at the absolute and sole discretion of CEL from time to time.

**(8) The Other Ordinary Services**

CEL shall provide or procure any of the other CEL Companies to provide to Ms. Chan and/or the Chan Associates with such services falling within principal activities of the Group which are being provided by any CEL Company in its ordinary and usual course of business, as may be requested by Ms. Chan and accepted by CEL at the absolute and sole discretion of CEL from time to time, such as securities trading brokerage services. For the avoidance of doubt, the Other Ordinary Services will not include services which are covered by (i) the Leasing Administration Services; (ii) the Sale Administration Services; (iii) the Property Management Services; (iv) the Property Administration Services; (v) the Asset Management and Maintenance Services; (vi) the Rental Services; and (vii) the Advisory and Consultancy Services, and will not include any non-principal activities of the Group.

## **Exclusion from the Services**

CEL shall have the right to determine at any time in its absolute and sole 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 Ms. Chan and/or the Chan Associates 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)***

Ms. Chan shall pay (or procure payment) to CEL (or any of the other CEL Companies as CEL may direct) charges 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 and/or representatives of the CEL Companies in providing such services.

As there were no comparable services offered by the Group to independent third-party customers and the Company could not identify precisely comparable services offered in the market (taking into account the integrated and comprehensive services including (but not limited to) leasing, marketing, accounting, taxation, human resources and information technology aspects) based on published information, the Margin of not less than a rate of 30% is arrived at after arms' length negotiation and determined with reference to (i) the same margin rate as adopted under the Existing Contract; and (ii) a margin rate of not less than the prevailing market margin rates, taking into account the margin rates disclosed by other listed companies in respect of the provision of services to connected persons, including database services, design and decoration services, manufacturing services, construction, installation and maintenance services and processing services, all of which the charging rates were determined based on the estimated/actual cost (which includes labour costs) plus a margin.

The reason for adoption of the hourly charge-out rates (inclusive of the Margin) for all the Services (other than the Property Management Services, the Rental Services and the Other Ordinary Services) is that the rendering of such services involves manpower work so that using hourly charge-out rates as the basis would facilitate the calculation of the cost for provision of such services. Such hourly charge-out rates (inclusive of the Margin) are subject to revision or adjustment by CEL in its sole and absolute discretion, including without limitation addition or reduction of staff or representatives of the CEL Companies and adjustment of hourly charge-out rates, from time to time.

### ***In respect of the Property Management Services***

- (A) For the provision of the Property Management Services in relation to the Southorn Centre Properties, the Silvercord Properties, The ONE Properties, the Windsor House Properties and the Josephine Court Properties, Ms. Chan shall pay (or procure payment) to CEL (or any of the other CEL Companies as CEL may direct) the aggregate of the following charges:-

- (i) monthly/annual charges calculated at 15% of the aggregate of (1) the total expenses, costs and charges necessarily and reasonably incurred in the management of such properties for the relevant period/year (including without limitation site staff costs, but excluding certain specified costs); and (2) the total amount of charges calculated at the hourly charge-out rates (being at cost) provided under (A)(ii) below; and
- (ii) monthly/annual charges calculated at such hourly charge-out rates (being at cost) as may be specified by CEL from time to time in relation to the time spent by the staff and/or representatives of the CEL Companies (excluding any site staff of such properties) in providing such Property Management Services. Such hourly charge-out rates (being at cost) are determined with reference to actual time spent for staff costs of each grade of staff and are subject to revision or adjustment by CEL in its sole and absolute discretion, including without limitation addition or reduction of staff or representatives of the CEL Companies and adjustment of hourly charge-out rates, from time to time.

The rate of manager's remuneration of 15% is determined based on (i) the same rate as adopted under the Existing Contract; (ii) the rate of not less than the rates charged for similar services offered by the Group to independent third-party customers at comparable scale (where applicable); and (iii) a rate of not less than the prevailing market rates, taking into account the rates charged for the provision of similar services by other service providers in the industry.

(B) The charges for the provision of the Property Management Services in relation to the Excelsior Properties payable by Ms. Chan (or such persons procured by Ms. Chan) to CEL (or any of the other CEL Companies as CEL may direct) are calculated in the following manner:-

- (i) the Chan Associates and other independent third parties are owners of the Excelsior Plaza. Under the Sub-DMC, Perfect World Company Limited (an indirect wholly-owned subsidiary of the Company) was appointed as the manager of Excelsior Plaza to provide the Relevant Property Management Services. Pursuant to the Sub-DMC, the total management fee charged by Perfect World Company Limited which includes management expenses and manager's remuneration of Excelsior Plaza shall be shared amongst and paid by the respective owner(s) of the Excelsior Plaza on monthly basis. The relevant amount of management fee payable by the Chan Associates as owners of Excelsior Properties under the Sub-DMC will be deemed to form part of the Service Charges payable by the Chan Associates for the Property Management Services, no additional charge for the Relevant Property Management Services shall be charged against Ms. Chan and/or the Chan Associates as owners of the Excelsior Properties. The charge for the Relevant Property Management Services charged to the Chan Associates is currently at the rate of HK\$445,510.50 per month in aggregate which is determined based on mechanism for comparable services offered by the Group under the Sub-DMC to other independent third-party owners of Excelsior Plaza;
- (ii) for the Laforet Properties, subject to (B)(i) above, the charges for such services shall be the aggregate of:-
  - (1) monthly/annual charges calculated at 15% of the aggregate of (aa) the total expenses, costs and charges necessarily and reasonably incurred in the management of the Laforet Properties for the relevant period/year (including without limitation site staff costs) and (bb) the total amount of charges calculated at the hourly charge-out rates (being at cost) provided under (B)(ii)(2) below; and

- (2) monthly/annual charges calculated at such hourly charge-out rates (being at cost) as may be specified by CEL from time to time in relation to the time spent by the staff and/or representatives of the CEL Companies (excluding any site staff of the Laforet Properties) in providing such services (for avoidance of doubt, excluding the Relevant Property Management Services). Such hourly charge-out rates (being at cost) are determined with reference to actual time spent for staff costs of each grade of staff and are subject to revision or adjustment by CEL in its sole and absolute discretion, including without limitation addition or reduction of staff or representatives of the CEL Companies and adjustment of hourly charge-out rates, from time to time;

The rate of manager's remuneration of 15% is determined based on (i) the same rate as adopted under the Existing Contract; (ii) the rate of not less than the rates charged for similar services offered by the Group to independent third-party customers at comparable scale (where applicable); and (iii) a rate of not less than the prevailing market rates, taking into account the rates charged for the provision of similar services by other service providers in the industry.

- (iii) for the Excelsior Street Shops, subject to (B)(i) above, 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 and/or representatives of the CEL Companies in providing such services (for avoidance of doubt, excluding the Relevant Property Management Services). Such hourly charge-out rates (inclusive of the Margin) are determined with reference to actual time spent for staff costs of each grade of staff and are subject to revision or adjustment by CEL in its sole and absolute discretion, including without limitation addition or reduction of staff or representatives of the CEL Companies and adjustment of hourly charge-out rates, from time to time.
- (C) In consideration of the provision of the Property Management Services in relation to the York Place Properties, Ms. Chan shall pay (or procure payment) to CEL (or any of the other CEL Companies as CEL may direct) charges 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 and/or representatives of the CEL Companies in providing such Property Management Services. Such hourly charge-out rates (inclusive of the Margin) are determined with reference to actual time spent for staff costs of each grade of staff and are subject to revision or adjustment by CEL in its sole and absolute discretion, including without limitation addition or reduction of staff or representatives of the CEL Companies and adjustment of hourly charge-out rates, from time to time.
  - (D) In consideration of the provision of the Property Management Services in relation to the Properties other than those mentioned in (A) to (C) above (if any), Ms. Chan shall pay (or procure payment) to CEL (or any of the other CEL Companies as CEL may direct) charges for such Property Management Services and the basis to determine the service charges are in the same manner as set out in any of (A), (B) (other than the terms of the Sub-DMC as stipulated in (B)(i)) or (C) above as agreed between Ms. Chan and CEL.

### ***In respect of the Rental Services***

For such Rental Services falling within the principal activities of the Group (such as property leasing), i.e. the Ordinary Rental Services, Ms. Chan shall pay (or procure payment) to CEL (or any of the other CEL Companies as CEL may direct) charges at rates no less favourable than the charges charged to independent third parties in the ordinary and usual course of business of the CEL Companies for the provision of similar rental services of comparable type and transaction amounts, or not less than the market rental for comparable rental services estimated at the time the relevant tenancy/license agreement is entered into and on normal commercial terms or better to the CEL Companies.

For such Rental Services other than the Ordinary Rental Services (such as the rental of motor vehicles and car plates), i.e. the Non-ordinary Rental Services, such assets are owned, leased and/or licensed by the CEL Companies and are used for business related events and purposes, which may be rented to Ms. Chan and/or the Chan Associates to generate additional income for the Group when these assets are not in use by the Group. Ms. Chan shall pay (or procure payment) to CEL (or any of the other CEL Companies as CEL may direct) charges calculated based on the estimated market rental of the relevant Non-ordinary Rental Services from time to time plus the Margin. Such estimated market rental is determined with reference to valuation on a fair market rent basis carried out by independent professional valuer on a regular basis and at least annually. The said estimated market rental and the Margin are subject to revision or adjustment by CEL in its sole and absolute discretion from time to time.

### ***In respect of the Other Ordinary Services***

Ms. Chan shall pay (or procure payment) to CEL (or any of the other CEL Companies as CEL may direct) charges as may be specified by CEL in its sole and absolute discretion from time to time calculated at a standardised rate (based on the same pricing policies as applicable to the provision of similar services of comparable type and transaction amounts by the CEL Companies to independent third parties) or rates no less favourable than the charges charged to independent third parties in the ordinary and usual course of business of the CEL Companies for the provision of similar services of comparable type and transaction amounts.

A CEL Company is currently providing securities trading brokerage services to Ms. Chan and/or the Chan Associates under the Existing Contract and it is expected that the CEL Company may continue to provide such brokerage services to Ms. Chan and/or the Chan Associates under the Contract, which falls under the category of the Other Ordinary Services. When determining the commission rate charged to the clients, the CEL Company has a policy in place for charging different commission rate for clients of different trading volume. Clients of larger trading volume are charged at a lower commission rate and vice versa. The commission rate charged to Ms. Chan and/or the Chan Associates and those charged to independent third-party clients are determined under the same pricing policies taking into consideration the difference in their trading volumes. Responsible personnel of CEL Companies in the securities trading brokerage business will conduct periodic review of commission rates charged to Ms. Chan and/or the Chan Associates and the rates charged to independent third-party clients to ensure that (i) the rates charged to Ms. Chan and/or the Chan Associates are no less favourable to CEL Companies than the charges to independent third-party clients taking into account their respective trading volumes; and (ii) the rates charged to Ms. Chan and/or the Chan Associates are determined based on the same pricing policies applicable to independent third-party clients of CEL Companies.

In addition to the payment of the Service Charges above, Ms. Chan shall also bear and reimburse (or procure reimbursement to) CEL (or any of the other CEL Companies 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 three (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 Contract by the other party which has not been remedied within one (1) month after being notified by the non-defaulting party.

CEL shall also be entitled to terminate the Contract by giving Ms. Chan a written notice of not less than one (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 CAPS

The caps of the aggregate service charges for all the Existing Services under the Existing Contract are as follows:-

For the period from 1 November 2020 to 31 December 2020	For the financial year ended 31 December 2021	For the financial year ended 31 December 2022	For the period from 1 January 2023 to 31 October 2023
HK\$9,800,000	HK\$59,400,000	HK\$62,400,000	HK\$54,600,000

The aggregate amounts received by the Group for the Existing Services under the Existing Contract were HK\$6,893,315 for the two months ended 31 December 2020, HK\$38,903,296 for the financial year ended 31 December 2021, HK\$40,863,127 for the financial year ended 31 December 2022 and HK\$19,397,198 for the six months ended 30 June 2023.

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

Under the Existing Contract	Under the Contract			
Historical amount for the financial year ended 31 December 2022 (for reference)	For the period from 1 November 2023 to 31 December 2023	For the financial year ending 31 December 2024	For the financial year ending 31 December 2025	For the period from 1 January 2026 to 31 October 2026
HK\$40,863,127	HK\$10,300,000	HK\$62,900,000	HK\$65,800,000	HK\$57,600,000



Amongst the Caps as set out above, the aggregate Service Charges for (i) the Leasing Administration Services; (ii) the Sale Administration Services; (iii) the Property Management Services; (iv) the Property Administration Services; and (v) the Asset Management and Maintenance Services under the Contract shall not exceed the following caps for the respective period or financial year below:

Under the Existing Contract	Under the Contract			
Historical amount for the financial year ended 31 December 2022 (for reference)	For the period from 1 November 2023 to 31 December 2023	For the financial year ending 31 December 2024	For the financial year ending 31 December 2025	For the period from 1 January 2026 to 31 October 2026
HK\$36,480,414	HK\$7,600,000	HK\$46,900,000	HK\$49,100,000	HK\$43,000,000

Amongst the Caps as set out above, the Service Charges for the Rental Services under the Contract shall not exceed the following caps for the respective period or financial year below:

Under the Existing Contract	Under the Contract			
Historical amount for the financial year ended 31 December 2022 (for reference)	For the period from 1 November 2023 to 31 December 2023	For the financial year ending 31 December 2024	For the financial year ending 31 December 2025	For the period from 1 January 2026 to 31 October 2026
HK\$3,354,496	HK\$1,500,000	HK\$9,000,000	HK\$9,400,000	HK\$8,300,000

Amongst the Caps as set out above, the Service Charges for the Advisory and Consultancy Services under the Contract shall not exceed the following caps for the respective period or financial year below:

Under the Existing Contract	Under the Contract			
Historical amount for the financial year ended 31 December 2022 (for reference)	For the period from 1 November 2023 to 31 December 2023	For the financial year ending 31 December 2024	For the financial year ending 31 December 2025	For the period from 1 January 2026 to 31 October 2026
HK\$37,644	HK\$200,000	HK\$1,200,000	HK\$1,200,000	HK\$1,000,000

Amongst the Caps as set out above, the Service Charges for the Other Ordinary Services under the Contract shall not exceed the following caps for the respective period or financial year below:

Under the Existing Contract	Under the Contract			
Historical amount for the financial year ended 31 December 2022 (for reference)	For the period from 1 November 2023 to 31 December 2023	For the financial year ending 31 December 2024	For the financial year ending 31 December 2025	For the period from 1 January 2026 to 31 October 2026
HK\$990,573	HK\$1,000,000	HK\$5,800,000	HK\$6,100,000	HK\$5,300,000

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE CONTRACT**

Similar to the reasons and benefits of entering into the Existing Contract, 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 mark up for profit for the Services (other than the Relevant Property Management Services, the Ordinary Rental Services and the Other Ordinary Services) which is favourable to the Group. The Company considered that the mark up for profit for the Services (other than the Relevant Property Management Services, the Ordinary Rental Services and the Other Ordinary Services) are favourable on the basis that (i) the rate of manager's remuneration of 15% is higher than (a) the rates charged for similar services offered by the Group to independent third-party customers; and (b) prevailing market rates taking into account the rates charged by other service providers in the industry for the provision of similar services; (ii) the charges for the Non-ordinary Rental Services (which will generate additional income for the Group while those assets are left idle) are made at least 30% above estimated market rental; and (iii) for such other Services which are charged at cost plus the Margin (no less than 30%), as there were no comparable services offered by the Group to independent third-party customers and/or the Company could not identify precisely comparable services offered in the market (taking into account the integrated and comprehensive services including but not limited to leasing, marketing, accounting, taxation, human resources and information technology aspects) based on published information, by comparing with the margin rates charged by other listed companies in respect of the provision of services to connected persons, the Margin of no less than a rate of 30% is relatively on the high side. As regards the Relevant Property Management Services, the Ordinary Rental Services and the Other Ordinary Services, such services will be provided in the ordinary and usual course of business of the Group on normal commercial terms or better to the CEL Companies or on terms no less favourable to CEL Companies 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 the Group.

In view of the above, the Directors (including the independent non-executive Directors) considered that (i) the Contract is on normal commercial terms or better to the Group 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 Non-ordinary 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 the 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 Non-ordinary 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 is concerned and on normal commercial terms or better to the Group, and are in the interests of the Company and the Shareholders as a whole.

## **INTERNAL CONTROL**

The Group has adopted the following internal control measures over the continuing connected transactions of the Company under the Contract:-

1. The head of each relevant department of the Group will submit a monthly report on the time spent by the relevant staff in that department in providing the Services and the human resources department of the Group will review and calculate the total amount of the time costs of the relevant staff of the Group based on the applicable hourly charge-out rates stipulated in the Contract. In addition, the head of each relevant department of the Group will also submit monthly/annual report on the usage of the motor vehicles, car plates and car parking spaces, etc. and/or the total expenses and costs incurred and calculation of the total Service Charges (as the case may be) for such Services to the finance & accounts department of the Group for their review. The human resources department and the finance & accounts department of the Group will ensure that the Service Charges are charged in accordance with the pricing policies stated in the Contract. Invoice will be issued accordingly with the endorsement of the Group Financial Controller.
2. The finance & accounts department of the Group is primarily responsible to review and monitor the continuing connected transactions under the Contract to ensure that the Cap is not exceeded. If the amount of the Service Charges payable by Ms. Chan and/or the Chan Associates under the Contract is expected to exceed the Caps, the Company will re-comply with all applicable requirements under the Listing Rules, including (where required) the obtaining of approval by the independent Shareholders, before the Caps are exceeded.
3. 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 and in accordance with Rule 14A.55 and Rule 14A.56 of the Listing Rules respectively. They will review the hourly charge-out rates and the Margin annually to ensure that they are fair and reasonable and not less favourable to the Company than those offered to independent third parties.
4. In case there will be a material change to the terms of the Contract before its expiry or termination, or if the Contract is proposed to be renewed, or if any of the Caps is expected to be exceeded, the Company will re-comply with all applicable requirements under the Listing Rules, including (where required) the obtaining of approval by the independent Shareholders.

## **INFORMATION OF THE GROUP**

The Group is principally engaged in property investment and development, building and property management, brokerage, securities investment, money lending and cosmetics distribution and trading. CEL is an investment holding company incorporated in Hong Kong with provision of management services to its group companies and a direct wholly-owned subsidiary of the Company.

## **INFORMATION OF MS. CHAN**

Ms. Chan is an executive Director, Chief Executive Officer of the Company and a trustee of the substantial shareholders of the Company (who are her minor children) who indirectly holds an aggregate of approximately 74.99% of the total issued share capital of the Company as at the date of this announcement. Ms. Chan is the elder sister of Ms. Chan, Lok-wan (an executive Director), the step-mother of Mr. Lau, Ming-wai (a non-executive Director and the Chairman of the Board) and the sister-in-law of Ms. Amy Lau, Yuk-wai (a non-executive Director).

## **LISTING RULES IMPLICATION**

Ms. Chan, an executive Director, Chief Executive Officer of the Company and a trustee of the substantial shareholders of the Company (who are her minor children), indirectly holds an aggregate of approximately 74.99% of the total issued share capital of the Company as at the date of this announcement. Therefore, Ms. Chan is a connected person of the Company and the entering into of 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 (as defined in the Listing Rules) in respect of the Caps under the Contract exceed 0.1% but are less than 5% on an annual basis, the entering into of the Contract and the transactions contemplated thereunder are only subject to reporting, announcement and annual review requirements but are exempted from the Shareholders' approval requirement pursuant to Rule 14A.76 of the Listing Rules.

Ms. Chan, being a party to the Contract, has a material interest in the Contract and the transactions contemplated thereunder. Therefore, she has abstained from voting on the Board resolutions for considering and approving the Contract and the transactions contemplated thereunder. In order to avoid any actual or potential conflict of interest, each of Mr. Lau, Ming-wai, Ms. Chan, Lok-wan and Ms. Amy Lau, Yuk-wai (being an associate or a relative of Ms. Chan) (if present at the relevant meeting) has abstained from voting on the Board resolutions for considering and approving the Contract and the transactions contemplated thereunder. Save as disclosed above, no other Directors has a material interest in the Contract and is required to abstain from voting on the Board resolutions for considering and 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:-

<b>“Advisory and Consultancy Services”</b>	the Advisory and Consultancy Services as specified under the Contract and summarised in the sub-section headed “Services to be provided by CEL Companies” in this announcement;
<b>“Assets”</b>	collectively, properties and related assets (including without limitation the fixtures, fittings, information technology related devices and equipment therein) and such other assets of a nature normally requiring management service, maintenance service or other similar services which are beneficially owned, leased, licensed, occupied or otherwise used by Ms. Chan and/or the Chan Associates;
<b>“Asset Management and Maintenance Services”</b>	the Asset Management and Maintenance Services as specified under the Contract and summarised in the sub-section headed “Services to be provided by CEL Companies” in this announcement;
<b>“associate(s)”</b>	has the meaning ascribed to it in Chapter 14A of the Listing Rules;
<b>“Board”</b>	the board of Directors;
<b>“Cap”</b>	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 Caps” in this announcement, collectively the “Caps”;
<b>“CEL”</b>	Chinese Estates, Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company;
<b>“CEL Companies”</b>	CEL, its fellow subsidiaries and wholly-owned subsidiaries, and any one of the CEL Companies shall refer to as a “CEL Company”;
<b>“Chan Associate(s)”</b>	the associate(s) and/or relative(s) of Ms. Chan as may be designated by Ms. Chan and notified to and accepted by CEL as recipient(s) of the relevant Services from time to time;
<b>“Company”</b>	Chinese Estates Holdings Limited (stock code: 127), a company incorporated in Bermuda with limited liability, the Shares are listed on the main board of the Stock Exchange;
<b>“connected person”</b>	has the meaning ascribed to it in the Listing Rules;

<b>“Contract”</b>	the contract for services dated 16 August 2023 entered into between CEL and Ms. Chan in respect of the provision of the Services which term will commence on 1 November 2023 for three (3) years unless otherwise terminated earlier in accordance with the Contract;
<b>“Director(s)”</b>	director(s) of the Company;
<b>“Excelsior Plaza”</b>	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;
<b>“Excelsior Properties”</b>	the Excelsior Street Shops and the Laforet Properties;
<b>“Excelsior Street Shops”</b>	the properties comprising 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;
<b>“Existing Contract”</b>	the contract for services dated 14 August 2020 entered into between CEL and Ms. Chan for the provision of the Existing Services, details of which are set out in the announcement of the Company dated 14 August 2020 and the circular of the Company dated 7 October 2020;
<b>“Existing Services”</b>	collectively, (i) leasing administration services; (ii) sale administration services; (iii) property management services; (iv) property administration services; (v) asset management and maintenance services; (vi) rental services; (vii) advisory and consultancy services; and (viii) other ordinary services provided to Ms. Chan and/or the Chan Associates pursuant to the Existing Contract;
<b>“Group”</b>	the Company and its subsidiaries;
<b>“HK\$”</b>	Hong Kong dollar, the lawful currency of Hong Kong;
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the People’s Republic of China;

<b>“Josephine Court Properties”</b>	the property known as “Josephine Court” situated at No. 12 Shiu Fai Terrace, Mid-levels East, Hong Kong;
<b>“Laforet Properties”</b>	the properties comprising:- <ul style="list-style-type: none"> <li>(i) 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 Naming Right in respect of Ground Floor, 1st Floor and 2nd Floor and Main Roof of Chee On Building, Excelsior Plaza, No. 24 East Point Road, Causeway Bay, Hong Kong;</li> <li>(ii) 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, Excelsior Plaza, No. 26 East Point Road, Causeway Bay, Hong Kong; and</li> <li>(iii) 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, Excelsior Plaza, Nos. 24-26 East Point Road, Causeway Bay, Hong Kong;</li> </ul>
<b>“Leasing Administration Services”</b>	the Leasing Administration Services as specified under the Contract and summarised in the sub-section headed “Services to be provided by CEL Companies” in this announcement;
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange;
<b>“Margin”</b>	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%;
<b>“Ms. Chan”</b>	Ms. Chan, Hoi-wan, an executive Director, Chief Executive Officer of the Company and a trustee of the substantial shareholders of the Company (who are her minor children);
<b>“Non-ordinary Rental Services”</b>	such Rental Services other than the Ordinary Rental Services;
<b>“Ordinary Rental Services”</b>	such Rental Services falling within the principal activities of the Group;
<b>“Other Ordinary Services”</b>	the Other Ordinary Services as specified under the Contract and summarised in the sub-section headed “Services to be provided by CEL Companies” in this announcement;

<b>“Properties”</b>	such properties as may be specified by Ms. Chan and accepted by CEL from time to time which are beneficially owned, leased, licensed, occupied or otherwise used by Ms. Chan and/or the Chan Associates;
<b>“Property Administration Services”</b>	the Property Administration Services as specified under the Contract and summarised in the sub-section headed “Services to be provided by CEL Companies” in this announcement;
<b>“Property Management Services”</b>	the Property Management Services as specified under the Contract and summarised in the sub-section headed “Services to be provided by CEL Companies” in this announcement;
<b>“relative(s)”</b>	has the meaning ascribed to it in Chapter 14A of the Listing Rules;
<b>“Relevant Property Management Services”</b>	those services falling within the scope of the Property Management Services which are provided by Perfect World Company Limited (an indirect wholly-owned subsidiary of the Company) as manager of Excelsior Plaza under the Sub-DMC;
<b>“Rental Services”</b>	the Rental Services as specified under the Contract and summarised in the sub-section headed “Services to be provided by CEL Companies” in this announcement;
<b>“Sale Administration Services”</b>	the Sale Administration Services as specified under the Contract and summarised in the sub-section headed “Services to be provided by CEL Companies” in this announcement;
<b>“Services”</b>	collectively (i) the Leasing Administration Services; (ii) the Sale Administration Services; (iii) the Property Management Services; (iv) the Property Administration Services; (v) the Asset Management and Maintenance Services; (vi) the Rental Services; (vii) the Advisory and Consultancy Services; and (viii) the Other Ordinary Services;
<b>“Service Charges”</b>	the charges payable by Ms. Chan and/or the Chan Associates for the Services pursuant to the Contract;
<b>“Share(s)”</b>	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
<b>“Shareholder(s)”</b>	the holder(s) of the Share(s);
<b>“Silvercord Properties”</b>	the properties comprising shops, restaurant and coffee shop on basement, shops on lower ground floor, shops (excluding shop no. 38) on ground floor, shops (excluding shop no. 39) on 1st floor, shops (excluding shop no. 41) on 2nd floor, the whole 3rd floor and car parking spaces nos. 1, 2, 6, 7, 8, 9, 21, 24, 25, 26, 29, 30, 34 and 35 on basement, Silvercord, No. 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong;



<b>“Southern Centre Properties”</b>	the properties comprising:-  (i) Shop No. 2 and Shop No. 3 on Ground Floor, Southern Centre, No. 150 Hennessy Road, Hong Kong;  (ii) Commercial Accommodation on 1st Floor and 2nd Floor, Southern Centre, No. 130 Hennessy Road, Hong Kong; and  (iii) Staircase facing O’Brien Road (for Exclusive Use to Commercial Accommodation on 1/F & 2/F Southern Centre), Ground Floor Service Lift Area (for Exclusive Use to Commercial Accommodation on 1/F & 2/F Southern Centre) and Staircase facing Hennessy Road (for Exclusive Use to Commercial Accommodation on 1/F & 2/F Southern Centre), No. 130 Hennessy Road, Hong Kong;
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited;
<b>“Sub-DMC”</b>	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 (both of which are among the Chan Associates);
<b>“subsidiary(ies)”</b>	has the meaning as ascribed thereto under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong);
<b>“substantial shareholder(s)”</b>	has the meaning ascribed to it in the Listing Rules;
<b>“The ONE Properties”</b>	the property known as “The ONE” situated at No. 100 Nathan Road, Tsimshatsui, Kowloon, Hong Kong;
<b>“Windsor House Properties”</b>	the property known as “Windsor House” situated at No. 311 Gloucester Road, Causeway Bay, Hong Kong;
<b>“York Place Properties”</b>	the properties comprising Shop 1 and Shop 2, York Place, No. 22 Johnston Road, Wanchai, Hong Kong; and
<b>“%”</b>	per cent.

By order of the Board  
**Mak, Kai-yee**  
*Company Secretary*

Hong Kong, 16 August 2023

*As at the date of this announcement, the Board comprised Ms. Chan, Hoi-wan and Ms. Chan, Lok-wan as Executive Directors, Mr. Lau, Ming-wai and Ms. Amy Lau, Yuk-wai as Non-executive Directors, and Mr. Chan, Kwok-wai, Mr. Leung, Yun-fai, Ms. Phillis Loh, Lai-ping and Mr. Ma, Tsz-chun as Independent Non-executive Directors.*

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