



# CHINESE ESTATES HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 127)

## ADOPTION OF NEW CORPORATE GOVERNANCE MEASURES

The Board is pleased to announce that as part of the Company's dedication to good corporate governance, the Company has adopted additional new corporate governance measures which are generally over and above the requirements of the Listing Rules and the Code Provisions.

The board of directors (the "Board") of Chinese Estates Holdings Limited (the "Company") is pleased to announce that as part of the Company's dedication to good corporate governance and in addition to its compliance with the code provisions (the "Code Provisions") of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Company has adopted additional measures (the "Measures") to safeguard and protect the interests of the Company and its shareholders (the "Shareholders"). These Measures are set out as follows:

### 1. Remuneration Policy for Executive Directors

The Company established a remuneration committee in May 2005 with the primary responsibilities of establishing and reviewing the remuneration policy of the directors (the "Directors") and senior executives of the Company.

The Listing Rules and the Code require that the compensation and emolument payable to Directors be disclosed in the accounts and annual reports of the Company. Save for such disclosure requirements, there are no stipulations on upper limit of emolument payable to the Directors. As part of the policy to be observed by the Company in respect of the determination of the remuneration of the executive Directors, the Company will observe that, save with the prior approval of an independent board committee (the "Independent Board Committee") comprising only the independent non-executive Directors, all fees and emoluments paid to Mr. Joseph Lau, Luen-hung and Mr. Thomas Lau, Luen-hung, who are currently the executive Directors, and their associates (as defined in Rule 1.01 of the Listing Rules as extended by Rule 14A.11(4) of the Listing Rules), will not exceed in aggregate an amount of HK\$8,000,000 each year, plus any adjustment by reference to the changes in consumer price index published by the Government of Hong Kong.

### 2. General Mandate to Issue Shares

The Listing Rules provide that if a general mandate (the "General Mandate") to allot and issue shares (the "Shares") has been obtained from the Shareholders, the Directors may allot and issue Shares up to 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of the relevant resolution. The Listing Rules further provide that in the case of a placing of Shares for cash consideration, the Company may not issue any Shares pursuant to the General Mandate if the relevant price represents a discount of 20% or more to the benchmarked price of the Shares as determined in accordance with the provisions of Rule 13.36(5) of the Listing Rules.

To safeguard the interests of the Shareholders and to ensure that minority Shareholders' interests will not be unfairly diluted, the Company will only be seeking a General Mandate at the forthcoming annual general meeting of the Company to allot, issue and deal with further Shares representing 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of the relevant resolution. In addition, notwithstanding that the proposal for the General Mandate to be granted is unconditional, the Company is committed not to issue any Shares under the General Mandate if the issue price of the Shares represents a discount of more than 12% to the benchmarked price (as defined in Rule 13.36(5) of the Listing Rules), unless the Independent Board Committee has approved such issue.

### 3. Connected Transactions

In accordance with Rule 14A.32(1) of the Listing Rules, a connected transaction on normal commercial terms where each of the percentage ratios (other than the profits ratio) is less than 2.5% is only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 and is exempt from the independent shareholders' approval requirement of Chapter 14A of the Listing Rules. To ensure higher transparency and to limit the transaction amount of connected transactions of the Company, the Measures have set out much stricter compliance standards in respect of connected transactions in addition to the compliance obligations under the Listing Rules. The Company will aggregate the connected transactions entered into with any connected person in any 12-month period and will not enter into any further connected transaction(s) without first obtaining the approval of the independent shareholders of the Company if the aggregate amount of the connected transactions exceeds HK\$500 million, representing approximately 1.25% of the total assets of the Company as at 31st December, 2005, in any such 12-month period.

Connected transactions that have been approved separately by the independent shareholders in compliance with the Listing Rules will not be counted towards the HK\$500 million limit over any 12-month period described above.

### 4. Independent Non-executive Directors

Under the Listing Rules, the board of directors of a listed company must include at least three independent non-executive directors. The Code recommends that at least one-third of the directors should be independent non-executive directors.

The Company considers that it is important for the Board to include a balanced composition of executive, non-executive and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement on the actions of the Company. The Board currently comprises two executive Directors, one non-executive Director and three independent non-executive Directors, with independent non-executive Directors representing 50% of the Board, which is higher than the recommended standard of the Code. The Company is committed that the number of independent non-executive Directors will not be less than 50% of the total number of the Directors and the minimum number of independent non-executive directors required by Rule 3.10(1) of the Listing Rules. In the event that the number of independent non-executive Directors falls below 50% of the total number of Directors, the Company will take remedial action and fulfil the requirements set out above within 14 days.

The Company will make the appropriate announcement in compliance with the Listing Rules of any changes to the Board.

The Measures and the corporate governance report of the Company are detailed in the 2005 annual report of the Company which was despatched to the Shareholders of the Company on 28th April, 2006.

Given the Measures are over and above the requirements of the Listing Rules and the Code Provisions, the Directors are of the view that the adoption of the Measures will promote good corporate governance of the Company and will be beneficial to the Company and the Shareholders as a whole.

The above practices will be reviewed from time to time as considered necessary by the Board for compliance with the Listing Rules and the attainment of the objective of good corporate governance. The Company will make the appropriate announcement on any material changes to these practices above.

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

Hong Kong, 28th April, 2006

*As at the date of this announcement, the Board comprises Mr. Thomas Lau, Luen-hung and Mr. Joseph Lau, Luen-hung as Executive Directors, Ms. Amy Lau, Yuk-wai as Non-executive Director and Mr. Cheng, Kwee, Mr. Chan, Kwok-wai and Ms. Phillis Loh, Lai-ping as Independent Non-executive Directors.*

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

Please also refer to the published version of this announcement in The Standard.