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CAPITAL ESTATE LIMITED

冠中地產有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 193)

DISCLOSEABLE TRANSACTION

PROPOSED ACQUISITION OF 10% ATTRIBUTABLE INTEREST IN

HOTEL FORTUNA

The Purchaser, a wholly-owned subsidiary of the Company, has conditionally agreed to acquire from the Vendor a 10% equity interest in Tin Fok, which holds 100% interest in the Hotel, for a cash consideration of HK\$60,000,000.

The Acquisition constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules. A circular containing, among other things, details of the Agreement will be despatched to the Shareholders as soon as practicable.

Reference is made to the announcement dated 24 October 2005. The Board is pleased to announce that on 16 December 2005, a conditional sale and purchase agreement was entered into between the Vendor, the Purchaser and the Guarantor. The Purchaser is a wholly-owned subsidiary of the Company. Pursuant to the Agreement, the Vendor conditionally agreed to dispose of and the Purchaser conditionally agreed to acquire a 10% equity interest in Tin Fok for a total consideration of HK\$60 million. Tin Fok holds 100% interest in the Hotel.

Summarised below are the principal terms of the Agreement.

THE AGREEMENT DATED 16 DECEMBER 2005

(i) Parties to the Agreement

Vendor: Global Master Management Limited, an Independent Third Party

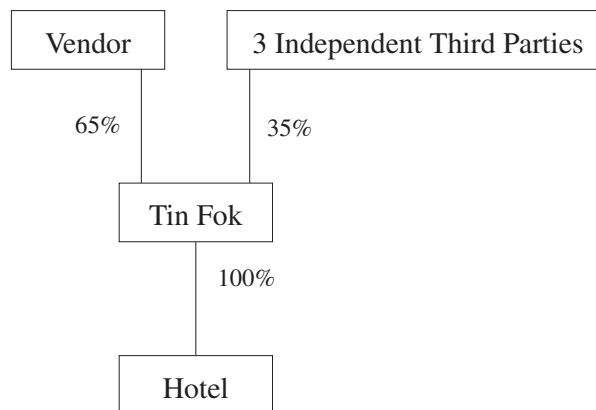
Purchaser: Top Universal Management Limited, a wholly-owned subsidiary of the Company incorporated in Hong Kong with limited liability

Guarantor: Sio Tak Hong, an Independent Third Party, who is the beneficial holder of all of the issued share capital of the Vendor, as guarantor of the obligations of the Vendor under the Agreement

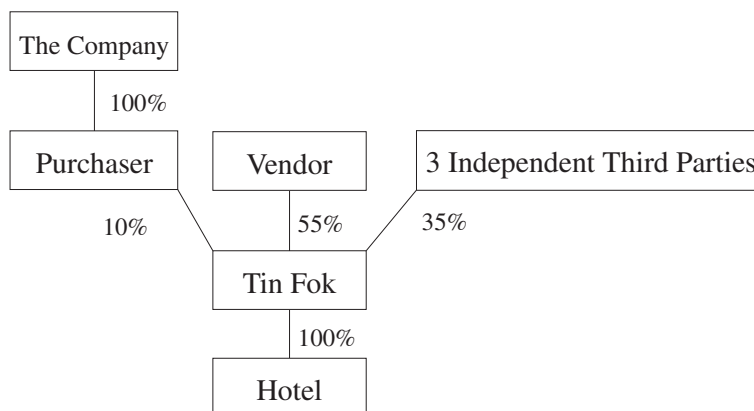
(ii) Subject of the sale and purchase

Pursuant to the Agreement, the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, as the legal and beneficial owner of, the Sale Shares free from any encumbrances, liens, charges, equities or third party rights. The Sale Shares represent 10% of the existing issued share capital of Tin Fok. Tin Fok is a company incorporated in Macau with limited liability and is 65% beneficially owned by the Vendor. Immediately after Completion, the Vendor will hold a 55% equity interest in Tin Fok. The remaining 35% equity interest in Tin Fok is beneficially owned by three Independent Third Parties. To the best knowledge of the Directors, they are not aware of any pre-emptive rights from these three Independent Third Parties in Tin Fok.

Set out below is the shareholding structure of Tin Fok before the Acquisition:



Set out below is the shareholding structure of Tin Fok immediately following the Completion:



(iii) The consideration

The consideration for the Sale Shares of HK\$60 million, was agreed between the parties based on arm's length negotiation taking into account the financial information of Tin Fok and the future prospect of the hotel industry in Macau.

The Consideration will be satisfied as follows:

- (a) HK\$30 million, by way of refundable deposit, which was paid in cash upon signing of the Agreement (“Deposit”); and
- (b) HK\$30 million, being the balance of the Consideration which is payable in cash on Completion.

The Deposit is refundable under certain circumstances which are summarised in the paragraph headed “Conditions of the Agreement and Completion” below.

According to the Directors, the Consideration will be financed by internal resources of the Group.

(iv) Conditions of the Agreement and Completion

Completion is conditional upon:

- (a) the Purchaser undertaking a due diligence review of the Tin Fok Group and being satisfied with such review in all respects within 14 days after the date of the Agreement;
- (b) the Vendor delivering to the Purchaser a legal opinion addressed to the Purchaser by a firm of lawyers qualified to advise on Macau law, in form and substance satisfactory to the Purchaser; and
- (c) all consents or approvals of any governmental authorities or other relevant regulatory bodies in Hong Kong and Macau which are necessary for the entering into and implementation of the Agreement having been obtained and remain current and valid.

If any of the above conditions (a), (b) and (c) is not fulfilled (or waived by the Purchaser) on or before 31 December 2005, (or such later date as may be agreed between the Vendor and the Purchaser), the Purchaser may terminate the Agreement and none of the parties shall have any claims against the others for costs, damages, compensation or otherwise (save in respect of any prior breach of the Agreement). In such case, the Vendor shall repay the Deposit together with the interest accrued thereon to the Purchaser within 3 Business Days.

Completion is to take place on the third business day after satisfaction or waiver by the Purchaser of the conditions referred to above (or such other date as the parties to the Agreement may agree in writing). As at the date of this announcement, the Company has no intention to waive any of the conditions as stated above.

(v) Undertakings and Option

The Vendor has undertaken and guaranteed to the Purchaser in the Agreement that,

- (a) in respect of the two financial years ended 31 December 2006 and 31 December 2007, Tin Fok will pay a dividend on the Sale Shares of an aggregate sum no less than HK\$3,600,000 per financial year (“Guaranteed Dividend”); and

- (b) unless the Purchaser exercises the Option (as defined below), in the event that the Guaranteed Dividend for any one financial year referred to in (a) above is not achieved, the Vendor will, on demand of the Purchaser, indemnify the Purchaser in full, on a dollar for dollar basis, the relevant shortfall.

Subject to compliance by the Purchaser of the articles of association of Tin Fok, the Vendor granted to the Purchaser the right (“Option”) to require the Vendor to purchase or procure the purchase from the Purchaser or its nominee of all the Sale Shares at a consideration of HK\$60,000,000, in the event that the Guaranteed Dividend for any one financial year referred to above is not achieved.

(vi) Guarantor’s obligations

In the Agreement, the Guarantor unconditionally and irrevocably:

- (a) guarantees by way of continuing obligation to the Purchaser as primary obligor, and not merely as surety, the due and punctual payment of all amounts payable by the Vendor under the Agreement; and
- (b) undertakes to the Purchaser to procure the performance by the Vendor of all its other obligations contained or implied in the Agreement.

The Guarantor’s obligations are continuing obligations and are to remain in full force and effect until all of the moneys or obligations for which the Vendor is or may become liable under the Agreement have been paid, satisfied or performed.

INFORMATION OF TIN FOK AND THE HOTEL

The principal activity of Tin Fok is the ownership and operation of the hotel known as “Hotel Fortuna”. The Hotel, a 20-storey three star hotel with 342 guest rooms, plus two mezzanine floors, opened in 1992 and is situated on the southern side of Praça De D. Afonso Henriques at its junction with Rua De Cantao and Rua De Foshan in Macau (i.e. in close proximity to the first Macau-Taipa Bridge) with the total gross floor area of approximately 22,446 square metres (or equivalent to 241,609 square feet).

Tin Fok manages the hotel rooms and provision of food and beverages services in the Hotel, and leases out portions of the Hotel for rental to Independent Third Parties which currently operate a casino, a night club and a sauna respectively. Save for the rental agreement with the casino operator, Tin Fok does not involve directly in the operation of the casino.

According to the audited financial statements of Tin Fok prepared using generally accepted accounting principles in Hong Kong for the two years ended 31 December 2004, Tin Fok recorded a turnover of approximately HK\$77.7 million and approximately HK\$55.3 million respectively, profit before taxation of approximately HK\$20.9 million and approximately 6.2 million and profits after taxation of approximately HK\$20.5 million and approximately HK\$5.5 million respectively. As at 31 December 2004, the total assets of Tin Fok were approximately HK\$281.9 million, its total liabilities were approximately HK\$331.0 million and its net liability were approximately HK\$49.1 million.

According to the unaudited management accounts of Tin Fok for the eight months ended 31 August 2005, it recorded a turnover of approximately MOP83.6 million (approximately HK\$81.2 million) and profit before taxation of approximately MOP32.2 million (approximately HK\$31.3 million). As at 31 August 2005, Tin Fok recorded net liabilities of approximately MOP18.4 million (approximately HK\$17.9 million).

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in property rental, financial investment, property development, property sales, provision of estate agency services and investments.

Based on statistics published by the Statistics and Census Bureau of the Macau government, in 2004 Macau recorded a total of approximately 16.67 million visitor arrivals which represented an increase of 40.2% with 11.89 million recorded in 2003. For the first half of 2005, visitor arrivals reached 8.9 million, up 15.4% compared to the same period of the previous year, and the tourism receipts were estimated to be MOP12.6 billion for the first half of 2005, an increase of 8% year-on-year. Given the prospects of the tourism industry, the Directors are optimistic on the growth potential for the hotel industry in Macau.

In addition, pursuant to the Agreement, the Vendor undertakes and guarantees to the Purchaser that in respect of the two financial years ending 31 December 2006 and 31 December 2007, Tin Fok shall pay a dividend of an aggregate sum of no less than HK\$3,600,000 per financial year, representing a 6% annual return of the total investment of HK\$60 million, which the Directors believe that the Acquisition will contribute a steady income to the earnings base of the Group.

Despite Tin Fok had a net liability of approximately HK\$49.1 million as at 31 December 2004, taking into account (i) the future prospect and growth potential for the hotel and tourism industry in Macau, (ii) the financial information of Tin Fok for the eight months ended 31 August 2005; (iii) the Guaranteed Dividend will enable the Company to enjoy a steady income enhancing the earnings base of the Group; and (iv) the stated strategy of the Group to expand its property portfolio, the Directors (including the independent non-executive Directors) are of the view that the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole and the terms of the Agreement, including the Consideration, are fair and reasonable.

GENERAL

The Acquisition constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules. A circular containing, among other things, details of the Agreement will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

The following expressions shall, unless the context otherwise requires, have the following meanings in this announcement:

“Acquisition”	the proposed acquisition of an 10% interest in Tin Fok by the Purchaser pursuant to the Agreement
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“Agreement”	the conditional sale and purchase agreement dated 16 December, 2005 made between the Purchaser, the Vendor and the Guarantor in relation to the sale and purchase of the Sale Shares
“Board”	the Board of Directors
“Business Day”	a day (other than a Saturday or a Sunday) on which banks generally are open for business in Hong Kong
“Company”	Capital Estate Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange
“Completion”	Completion of the Agreement
“Connected persons”	the meaning given to it in the Listing Rules
“Consideration”	the consideration for the sale and purchase of the Sale Shares pursuant to the Agreement, being HK\$60 million in total
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Guarantor”	Sio Tak Hong, the beneficial holder of all of the issued share capital of the Vendor
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hotel”	“Hotel Fortuna”, a three star hotel located at the southern side of Praça De D. Afonso Henriques at its junctions with Rua De Cantao and Rua De Foshan in Macau
“Independent Third Party(ies)”	person(s), or in the case of companies, their ultimate beneficial owner(s), who are independent of and not connected with the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“PRC”	The People’s Republic of China, which shall for the purpose of this announcement exclude Hong Kong and Macau
“Purchaser”	Top Universal Management Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company

“Sale Shares”	200 shares owned by the Vendor representing in aggregate 10% of the existing issued share capital of Tin Fok
“Share(s)”	Share(s) of HK\$1.00 each in the capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tin Fok”	Tin Fok Holding Company Limited, a company incorporated in Macau with limited liability
“Tin Fok Group”	Tin Fok and its subsidiaries
“Vendor”	Global Master Management Limited, an Independent Third Party
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“MOP”	the Macau Pataca, the lawful currency of Macau

Amounts denominated in MOP in this announcement has been translated into HK\$ at a rate of MOP1.03=HK\$1.00 for illustration purposes.

By Order of the Board
Capital Estate Limited
Mr. Chu Nin Yiu, Stephen
Executive Chairman

Hong Kong, 19 December 2005

As at the date of this announcement, the Board comprises Mr. Chu Nin Yiu, Stephen, Mr. Chu Nin Wai, David, Mr. Lau Chi Kan, Michael as executive Directors and Mr. Li Sze Kuen, Billy, Mr. Wong Kwong Fat and Mr. Leung Kam Fai as independent non-executive Directors.

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