



CAPITAL ESTATE LIMITED

冠中地產有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 193)

MEMORANDUM OF UNDERSTANDING IN RELATION TO THE POSSIBLE ACQUISITION OF A 45% INTEREST IN FULVID INVESTMENT COMPANY LIMITED

POSSIBLE VERY SUBSTANTIAL ACQUISITION

MOU

The Board is pleased to announce that on 19 January 2007, a non-legally binding memorandum of understanding was entered into among (i) the Purchaser, a wholly-owned subsidiary of the Company; (ii) Mr. Sio; and (iii) Mr. Si with regard to the possibility of an acquisition by the Purchaser of a 45% interest in the issued share capital of Fulvid Investment and/or its related shareholders' loan, for a total consideration of not more than HK\$330 million (subject to satisfactory completion of a due diligence review by the Company and entering into of definitive agreements between the parties).

As at the date of this announcement, the principal assets of Fulvid Investment are its majority interest in each of Lai Keng Van and Asia Tak Fok. The principal asset of Lai Keng Van is 100% of the Property, an office development named "Wealth Management and IT Center of Macau" (澳門財富管理科技中心) situated at Avenida Comercial de Macau, Baia de Praia Grande, Macau. The principal asset of Asia Tak Fok is its receivables due from Lai Keng Van.

If the Proposed Acquisition proceeds, the final consideration will be determined by reference to the net asset value of Fulvid Investment taking into account the valuation of the abovementioned office development.

The Board wishes to emphasise that since the MOU is not legally binding and the Proposed Acquisition under the MOU may or may not proceed, Shareholders and investors of the Company should exercise caution when dealing in the Shares.

GENERAL

It is anticipated that the Proposed Acquisition, if consummated, may constitute a very substantial acquisition transaction for the Company under Rule 14.06(5) of the Listing Rules which is subject to the reporting, announcement and shareholders' approval requirements as prescribed under Rule 14.49 of the Listing Rules.

Summarised below are the principal terms of the MOU.

MOU

(i) Date

19 January 2007

(ii) Parties

(i) Mr. Sio and Mr. Si, the Potential Vendors

(ii) Tamulus Limited, the Purchaser

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Potential Vendors are Independent Third Parties.

(iii) Subject of the Proposed Acquisition

Pursuant to the MOU, the Purchaser has indicated its intention to acquire a 45% interest in Fulvid Investment and/or its related shareholders' loan from the Potential Vendors at an aggregate consideration of not more than HK\$330 million (subject to satisfactory completion of a due diligence review by the Company and entering into of definitive agreements between the parties).

Fulvid Investment is a company incorporated in Macau with limited liability and is beneficially owned as to 70% by Mr. Sio and as to 30% by Mr. Si. The principal assets of Fulvid Investment are its majority interest in each of Lai Keng Van and Asia Tak Fok. The Company has been advised by the Potential Vendors that Fulvid Investment has entered into arrangements to reduce its majority shareholding to a shareholding of 52% in each of Lai Keng Van and Asia Tak Fok. The Potential Vendors have agreed to ensure that Fulvid Investment's shareholdings in each of Lai Keng Van and Asia Tak Fok will be 52% upon execution of the binding sale and purchase agreement in respect of the Proposed Acquisition.

The principal asset of Lai Keng Van is 100% of the Property, an office development named "Wealth Management and IT Center of Macau" (澳門財富管理科技中心) situated at Avenida Comercial de Macau, Baia de Praia Grande, Macau. The principal asset of Asia Tak Fok is its receivables due from Lai Keng Van.

The Property is situated on the south-western side of Avenida Dr. Mario Soares (蘇亞利斯博士大馬路) at its junction with Avenida Comercial de Macau (澳門商業大馬路) of freguesia da Sé (大堂區) in Macau. It is situated between an office development known as Edifício Banco da China (中國銀行) and a residential development known as Nam Van Peninsula (南灣半島). The Property is a 23-storey (including mezzanine floor) commercial development with 3-storey car park basements. The site area of the Property is approximately 4,515 square metres (equivalent to approximately 48,599 square feet). The Property is currently vacant and under renovation and alteration works.

(iv) Consideration

The Directors expect that the consideration for the 45% interest in Fulvid Investment and/or its related shareholders' loan will be not more than HK\$330 million on the assumption that Fulvid Investment owns 52% of each of Lai Keng Van and Asia Tak Fok as stated above. The decision to proceed with the Proposed Acquisition is subject to satisfactory completion of a due diligence review by the Company and entering into of definitive agreements between the parties. If the Proposed Acquisition proceeds, the final consideration will be determined by reference to the net asset value of Fulvid Investment taking into account the valuation of the Property. In this regard, the Company has been provided with a preliminary independent valuation of the Property prepared by Savills (Macau) Limited which indicated a valuation of the Property, assuming the renovation programme has been completed, of approximately HK\$2,000 million.

In the event that the Proposed Acquisition is to proceed, the Company intends to finance the settlement of the consideration by means of a combination of internal resources as well as other funding alternatives to be determined by the Board.

Under the MOU, the Company will conduct a due diligence review on the business, financial status, legal status and operations of the Fulvid Investment Group. In addition, the Company has paid a HK\$10,000,000 refundable deposit to the Potential Vendors as consideration for an exclusive period to conduct the abovementioned due diligence review and to enter into definitive agreements from the date of the MOU up to 30 April 2007 (or such later date as may be agreed by the parties thereto). The deposit was paid directly to the Potential Vendors and not held in escrow.

If the Proposed Acquisition does not materialise or fails to consummate by 30 April 2007 (or such later date as may be agreed by the parties thereto), the deposit will be returned to the Company.

GENERAL

The Group is principally engaged in property rental, financial investment, property development, property sales, provision of estate agency services and investment. As stated in previous communications to Shareholders, it is the Group's stated strategy to look for appropriate property investments in Macau and/or Hong Kong. Consistent with this strategy, the Company has been seeking and assessing a number of investment opportunities.

The Directors believe the entering of the MOU allows the Group to secure a window to acquire an attractive investment in Macau and at the same time, afford the Company the flexibility and sufficient time to complete its due diligence review and negotiation of terms. Hence the Directors consider that the entering of the MOU by the Company is in the interests of the Company and the Shareholders as a whole.

This announcement is made pursuant to Rule 13.09 of the Listing Rules. Further announcement(s) will be made by the Company in respect of any material development on the Proposed Acquisition and actions which will be taken to comply with the disclosure and shareholders' approval requirements as prescribed under the Listing Rules.

Based on the maximum consideration for the Proposed Acquisition of HK\$330 million, the consideration ratio test under Rule 14.07 of the Listing Rules may exceed 100%. Accordingly, the Proposed Acquisition, if consummated, may constitute a very substantial acquisition transaction for the Company under Rule 14.06(5) of the Listing Rules which is subject to the reporting, announcement and shareholders' approval requirements as prescribed under Rule 14.49 of the Listing Rules.

The Board wishes to emphasise that since the MOU is not legally binding and the Proposed Acquisition under the MOU may or may not proceed, Shareholders and investors of the Company should exercise caution when dealing in the Shares.

DEFINITIONS

Unless the context otherwise require, the following expressions have the following meanings in this announcement:

“Asia Tak Fok”	Asia Tak Fok Investment Company Limited, a company incorporated in Macau with limited liability
“Board”	the board of Directors
“Company”	Capital Estate Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange
“connected persons”	the meaning given to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Fulvid Investment”	Fulvid Investment Company Limited, an investment holding company incorporated in Macau with limited liability
“Fulvid Investment Group”	Fulvid Investment and its subsidiaries
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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 or their respective associates (as “associates” is defined in the Listing Rules)
“Lai Keng Van”	Lai Keng Van Property Investment Company Limited, a company incorporated in Macau with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC

“MOU”	the memorandum of understanding dated 19 January 2007 entered into between (i) the Purchaser; (ii) Mr. Sio; and (iii) Mr. Si in relation to a possible acquisition of a 45% interest in the issued share capital of Fulvid Investment and/or its related shareholders’ loan
“Potential Vendors”	Mr. Sio and Mr. Si
“Property”	an office development named “Wealth Management and IT Center of Macau” (澳門財富管理科技中心) situated at Avenida Comercial de Macua, Baia de Praia Grande, Macau
“Proposed Acquisition”	the possible acquisition of a 45% interest in Fulvid Investment and/or its related shareholders’ loan pursuant to the MOU
“Purchaser”	Tamulus Limited, a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong and Macau
“Shares(s)”	share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Mr. Si”	Mr. Si Tit Sang, an Independent Third Party and is interested in 30% of the issued share capital of Fulvid Investment
“Mr. Sio”	Mr. Sio Tak Hong, an Independent Third Party and is interested in 70% of the issued share capital of Fulvid Investment
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

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

Hong Kong, 19 January 2007

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.