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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)

CONNECTED TRANSACTION

DISPOSAL OF ENTIRE INTERESTS IN A NON-WHOLLY OWNED SUBSIDIARY

On 31 July 2007, the Vendor, a wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser pursuant to which the Vendor has agreed to dispose of and the Purchaser agreed to acquire the Sale Shares for a total consideration of HK\$4 million.

The Disposal constitutes a connected transaction for the Company under Rule 14A.13(1) of the Listing Rules. It is subject to the reporting and announcement requirements but is exempt from independent shareholders' approval requirements under Rule 14A.32 of the Listing Rules.

THE AGREEMENT

(i) Date

31 July 2007

(ii) Parties

Vendor: High Cheong Developments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company

Purchaser: Mr. Ng

Immediately prior to the Agreement, Mr. Ng is a director and a substantial shareholder of Consecutive Profits, a non-wholly owned subsidiary of the Company before Completion.

(iii) Subject of the Disposal

Pursuant to the Agreement, the Vendor has agreed to dispose of and the Purchaser has agreed to acquire the Sale Shares, which represents 80% of the issued share capital of Consecutive Profits.

Immediately prior to the Agreement, the Vendor and Mr. Ng respectively owned 80% and 20% of the issued share capital of Consecutive Profits. Immediately after Completion, Mr. Ng will own the entire issued share capital of Consecutive Profits.

(iv) Consideration

The consideration for the Sale Shares is HK\$4 million, which was determined after arm's length negotiations between the Vendor and Purchaser with reference to the unaudited consolidated net assets of Consecutive Profits of approximately HK\$5.04 million as at 31 May 2007.

The consideration of HK\$4 million for the Disposal shall be paid by the Purchaser to the Vendor in cash upon Completion.

(v) Conditions of the Agreement and Completion

Completion is conditional upon:

- (a) the Purchaser being satisfied upon its own due diligence investigation, among other things, on the followings:–
 - (i) that the accounts of Consecutive Profits and its subsidiaries show a true and fair view of the financial position of Consecutive Profits and its subsidiaries as on 31 May 2007 and that there will be no material adverse change in the financial position of Consecutive Profits and its subsidiaries from 31 May 2007 to the Completion Date; and
 - (ii) that Consecutive Profits is the legal and beneficial owner of its subsidiaries free from all encumbrances.
- (b) the Company obtaining at its costs and expenses all necessary consent and approvals required (if any) to be obtained under the Listing Rules for the sale of the Sale Shares to the Purchaser pursuant to the terms of the Agreement.

If the condition (a) above shall not have been fulfilled or waived by the Purchaser on or before the Completion Date and the non-fulfillment is not attributable to the default of any of the parties to the Agreement, the Agreement shall become null and void and of no legal effect and none of the parties to the Agreement shall have any claim and/or recourse against each and the other of them save and except any antecedent breach of the terms of the Agreement.

Subject to the fulfillment (or waiver, as the case may be) of all the conditions as set out in the Agreement, Completion shall take place on the Completion Date.

Completion took place on 31 July 2007.

INFORMATION OF CONSECUTIVE PROFITS

Consecutive Profits is an investment holding company. It owns a 82.50% equity interest in a subsidiary which is principally engaged in the provision of estate agency services.

According to the unaudited consolidated accounts of Consecutive Profits, (i) the unaudited consolidated net profits of Consecutive Profits before taxation and extraordinary items for the financial year ended 31 July 2006 and 31 July 2005 were HK\$288,353 and HK\$856,668 respectively; and (ii) the unaudited consolidated net profits of Consecutive Profits after taxation and extraordinary items for the financial year ended 31 July 2006 and 31 July 2005 were HK\$242,900 and HK\$702,798 respectively. As at 31 May 2007, the unaudited consolidated net assets of Consecutive Profits was approximately HK\$5.04 million.

Based on the unaudited financial statements of Consecutive Profits as at 31 May 2007, it is estimated that upon Completion, the Group will expect to record a loss of approximately HK\$1.9 million on the Disposal for the financial year ending 31 July 2007 which represents the difference between the consideration of HK\$4 million less the carrying value of unaudited net assets in Consecutive Profits disposed of amounting to approximately HK\$5.9 million as at the date of Completion.

The Company will utilize the entire proceeds from the Disposal as its general working capital.

Upon Completion, the Company has disposed of all its shareholding in Consecutive Profits and Consecutive Profits has ceased to be a subsidiary of the Company.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in property rental, financial investment, property development, property sales, provision of estate agency services (which has ceased upon Completion) and investments.

It is a stated strategy of the Group to expand its property portfolio. The Board considers that as a result of the Disposal, the Group will be more focused on such strategy. The Directors (including the independent non-executive Directors) are of the view that the terms of the Agreement, including the consideration, to be fair and reasonable and on normal commercial terms and therefore the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole.

CONNECTED TRANSACTION

Immediately prior to the Agreement, Mr. Ng is a director of and a substantial shareholder holding 20% in the issued share capital of Consecutive Profits, a non-wholly owned subsidiary of the Company before Completion. Therefore, Mr. Ng is a connected person of the Company under the Listing Rules. Accordingly, the Disposal constitutes a connected transaction for the Company under Rule 14A.13(1) of the Listing Rules. As each of the percentage ratios under Rule 14.07 of the Listing Rules is less than 2.5% and the Agreement is on normal commercial terms, the Disposal is subject to the reporting and announcement requirements but is exempt from independent shareholders' approval requirements under Rule 14A.32 of the Listing Rules.

DEFINITIONS

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

“Agreement”	the sale and purchase agreement dated 31 July 2007 made between the Vendor and the Purchaser in relation to the Disposal
“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
“Completion Date”	the day of the Agreement or such other date and time as may be mutually agreed between the Vendor and the Purchaser
“connected person”	the meaning given to it in the Listing Rules
“Consecutive Profits”	Consecutive Profits Limited, a company incorporated in the British Virgin Islands with limited liability
“Director(s)”	the director(s) of the Company
“Disposal”	the sale of the Sale Shares by the Vendor to the Purchaser pursuant to the Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Ng” or “Purchaser”	Mr. Ng Kai Man
“PRC”	the People’s Republic of China
“Sale Shares”	eight shares of US\$1.00 each in the share capital of Consecutive Profits, representing 80% of the issued share capital of Consecutive Profits
“Shareholder(s)”	holder(s) of the share(s) of HK\$0.01 each in the capital of the Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	High Cheong Developments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America

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

Hong Kong, 1 August 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.