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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 ACQUISITION OF FURTHER 50% OF THE ISSUED QUOTA CAPITAL OF SUN FAT INVESTMENT AND INDUSTRY COMPANY LIMITED AND RESUMPTION OF TRADING

On 5 October 2007, the Purchaser, being a wholly-owned subsidiary of the Company, and the Vendor entered into the 2nd Agreement pursuant to which the Purchaser has conditionally agreed to acquire from the Vendor its remaining holding of 50% of the issued quota capital of Sun Fat for a consideration of HK\$158,300,000. The principal asset of Sun Fat is its 100% ownership in the Land.

The consideration of HK\$158,300,000 for the purchase of the Sale Quota under the 2nd Agreement will be payable by the Purchaser as to HK\$79,490,000 in cash (including HK\$30,000,000, being the refundable deposit which was already paid by the Purchaser upon signing of the 2nd Agreement) and as to HK\$78,810,000 by the issue of the Consideration Shares (being 555,000,000 new Shares) at the issue price of HK\$0.142 each to the Vendor. The issue price of HK\$0.142 per Consideration Share represents:

- (a) a discount of approximately 26.04% to the closing price of HK\$0.192 per Share as quoted on the Stock Exchange on 5 October 2007 (being the date of the 2nd Agreement);
- (b) a discount of approximately 20.89% to the average closing price of approximately HK\$0.1795 per Share for the last 10 trading days up to and including 5 October 2007;

- (c) a discount of approximately 26.04% to the average closing price of approximately HK\$0.192 per Share for the last 30 trading days up to and including 5 October 2007; and
- (d) a premium of approximately 75.31% over the unaudited adjusted net asset value of approximately HK\$0.081 per Share, computed as the sum of the unaudited net assets of approximately HK\$696,787,000 as at 31 January 2007 set out in the Company's interim report for the six months ended 31 January 2007 and the net proceeds of approximately HK\$215,000,000 from the rights issue completed by the Company in April 2007, divided by a total of 11,231,896,896 Shares in issue as at the date of this announcement.

As the 2nd Agreement, if it becomes unconditional, is expected to be completed within 12 months from the 1st Agreement (pursuant to which Tamulus has acquired 49% of the issued quota capital of Sun Fat), the proposed acquisition of further 50% of the issued quota capital of Sun Fat by the Group through the Purchaser under the 2nd Agreement will be aggregated with the 1st Acquisition in accordance with Rule 14.22 of the Listing Rules. As some of the relevant percentage ratios under Rule 14.07 of the Listing Rules exceed 5% but less than 25%, the Aggregate Acquisition constitutes a discloseable transaction of the Company under the Listing Rules and a circular containing, among other things, details of the 2nd Acquisition will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

At the request of the Company, trading in the Shares on the Main Board of the Stock Exchange was suspended with effect from 9:30 a.m. on 8 October 2007 pending the release of this announcement. Application for the resumption of trading in the Shares on the Main Board of the Stock Exchange with effect from 9:30 a.m. on 9 October 2007 has been made by the Company.

Reference is made to the announcement of the Company dated 14 June 2007 in respect of the 1st Acquisition.

The Board is pleased to announce that on 5 October 2007, the Purchaser, being a wholly-owned subsidiary of the Company, and the Vendor entered into the 2nd Agreement pursuant to which the Purchaser has conditionally agreed to acquire from the Vendor its remaining holding of 50% of the issued quota capital of Sun Fat.

Summarised below are the principal terms of the 2nd Agreement.

THE 2nd AGREEMENT

(i) Date

5 October 2007

(ii) Parties

Vendor:	Kong Kei Construction Limited, a company incorporated in Macau with limited liability
Purchaser:	Silver Pro Limited, a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability

Tamulus: Tamulus Limited, a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability

Warrantors: Mr. Wong Tak Chong and Mr. Chen Yanping, the existing beneficial owners of all the issued quota capital of the Vendor

The Vendor is principally engaged in real estate investment and construction in Macau. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are Independent Third Parties.

(iii) Subject of the 2nd Acquisition

Pursuant to the 2nd Agreement, the Purchaser has agreed to acquire from the Vendor the Sale Quota, which represents in aggregate 50% of the issued quota capital of Sun Fat at Completion.

As at the date of this announcement, Sun Fat is beneficially owned by Tamulus, the Vendor and two individuals as to 49%, 50% and 1%, respectively. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the two individuals owning 1% of the existing issued quota capital of Sun Fat are Independent Third Parties. Immediately after Completion, Sun Fat will become an indirect 99%-owned subsidiary of the Company (through the holdings by Tamulus and the Purchaser as to 49% and 50%, respectively).

The principal asset of Sun Fat is its 100% ownership in the Land, which consists of a site area of approximately 10,154 square metres (equivalent to approximately 109,297 square feet). The Land is currently vacant pending the Development Plan, details of which are in the section headed "Development Plan" below.

(iv) Consideration

The consideration for the Sale Quota is HK\$158,300,000, which was determined after arm's length negotiations between the parties taking into account (i) the financial information about Sun Fat; (ii) an independent valuation of the Land of HK\$330 million as at 8 June 2007; and (iii) the waiver on the Vendor's obligation under the terms of the 1st Agreement to pay directly to the Government of Macau any outstanding government land premium for the amendment of the land lease concession in relation to the Development Plan on behalf of Sun Fat. As a result of the aforesaid waiver under the 2nd Agreement, Sun Fat will be required to pay to the Government of Macau the land premium for the amendment of the land lease concession before the relevant approval for the Development Plan is obtained from the relevant authorities. The parties to the 2nd Agreement currently estimate that the aforesaid land premium will not exceed HK\$30 million.

The consideration of HK\$158,300,000 for the purchase of the Sale Quota under the 2nd Agreement will be payable by the Purchaser in the following manner:

- (a) HK\$30,000,000, being the refundable deposit (the "Deposit"), was already paid by the Purchaser to the Vendor upon signing of the 2nd Agreement;
- (b) HK\$78,810,000, which will be satisfied by the issue of the Consideration Shares at the issue price of HK\$0.142 each to the Vendor at Completion; and

- (c) HK\$49,490,000, being the remaining balance, will be payable in cash at Completion.

As at the date of the 2nd Agreement, the Vendor was indebted to Sun Fat in the sum of MOP22,655,731 (approximately HK\$21,995,855) as an interest-free and unsecured loan (the “Loan”). Pursuant to the 2nd Agreement, the HK\$ equivalent of MOP22,655,731 (approximately HK\$21,995,855), being a portion of the remaining balance of the consideration payable by the Purchaser to the Vendor at Completion, will be applied to repay the Loan by the Purchaser on behalf of the Vendor. The Directors consider the aforesaid arrangement under the 2nd Agreement to be in the interest of the Company as the Loan will be duly repaid upon Completion.

(v) Conditions of the 2nd Agreement and Completion

Completion is conditional upon:

- (a) the general meeting of Sun Fat approving the transfer of the Sale Quota and waiving its rights to exercise any pre-emptive rights on such transfer;
- (b) all consents or approvals (other than the approval in relation to the Development Plan and the architectural project regarding the Land) of any relevant governmental authorities or other relevant regulatory bodies in Macau which are necessary for the entering into and implementation of the 2nd Agreement having been obtained and remain current and valid;
- (c) approval of the Shareholders in respect of the transactions under the 2nd Agreement (if required by the Listing Rules or the Stock Exchange); and
- (d) the Stock Exchange granting the listing of and permission to deal in the Consideration Shares to be issued as part of the consideration for the 2nd Acquisition.

If the conditions (a) and (b) above are not fulfilled or waived in writing by the Purchaser within 30 Business Days counting from the date of the 2nd Agreement (or such later date as may be agreed between the Vendor and the Purchaser), the Purchaser may terminate the 2nd Agreement, in which case none of the parties shall have any claim against the others for costs, damages, compensation or otherwise (save in respect of any prior breach of the 2nd Agreement). In such case, the Vendor shall refund the Deposit to the Purchaser without interest within 3 Business Days.

If the conditions (c) and (d) above are not fulfilled within 45 Business Days counting from the date of the 2nd Agreement, the Vendor may terminate the 2nd Agreement, in which case none of the parties shall have any claim against the others for costs, damages, compensation or otherwise (save in respect of any prior breach of the 2nd Agreement). In such case, the Vendor shall refund the Deposit to the Purchaser without interest within 3 Business Days.

The Company will apply to the Stock Exchange for the listing for, and permission to deal in, the Consideration Shares which may fall to be issued upon the 2nd Acquisition.

Completion is to take place on the third Business Day after (i) satisfaction of all the conditions or (ii) waiver by the Purchaser of the conditions (a) and (b) above and satisfaction of the conditions (c) and (d) above, or at such other time as the parties may agree.

THE CONSIDERATION SHARES

Upon Completion, the Consideration Shares, comprising 555,000,000 new Shares and representing approximately 4.94% of the existing issued share capital of the Company and approximately 4.71% of the issued share capital of the Company as enlarged by the Consideration Shares, will be issued to the Vendor. The Consideration Shares will be issued by the Company under the Existing General Mandate.

The issue price of HK\$0.142 per Consideration Share represents:

- (a) a discount of approximately 26.04% to the closing price of HK\$0.192 per Share as quoted on the Stock Exchange on 5 October 2007 (being the date of the 2nd Agreement);
- (b) a discount of approximately 20.89% to the average closing price of approximately HK\$0.1795 per Share for the last 10 trading days up to and including 5 October 2007;
- (c) a discount of approximately 26.04% to the average closing price of approximately HK\$0.192 per Share for the last 30 trading days up to and including 5 October 2007; and
- (d) a premium of approximately 75.31% over the unaudited adjusted net asset value of approximately HK\$0.081 per Share, computed as the sum of the unaudited net assets of approximately HK\$696,787,000 as at 31 January 2007 set out in the Company's interim report for the six months ended 31 January 2007 and the net proceeds of approximately HK\$215,000,000 from the rights issue completed by the Company in April 2007, divided by a total of 11,231,896,896 Shares in issue as at the date of this announcement.

SHAREHOLDING STRUCTURE

Set out below are the shareholding structures of the Company immediately before and after the Completion:

Shareholders	As at the date of this announcement		Immediately following The Completion	
	Shares	%	Shares	%
Supervalue Holdings Limited (<i>Note 1</i>)	2,288,379,000	20.37	2,288,379,000	19.41
The Vendor (<i>Note 2</i>)	—	—	555,000,000	4.71
Public Shareholders	8,943,517,896	79.63	8,943,517,896	75.88
	<u>11,231,896,896</u>	<u>100.00</u>	<u>11,786,896,896</u>	<u>100.00</u>

Notes:

- The 2,288,379,000 Shares are beneficially owned by Supervalue Holdings Limited, which in turn is wholly-owned by Mr. Chu Nin Yiu, Stephen, the executive chairman and an executive director of the Company.
- Pursuant to the 2nd Agreement, the Consideration Shares, being a total of 555,000,000 new Shares, will be issued to the Vendor at Completion.

THE DEVELOPMENT PLAN

Currently, the condition for the land lease concession of the Land does not permit residential usage. In order to implement the Development Plan, Sun Fat had submitted on 29 May 2007 an application to the relevant government authorities in Macau requesting an amendment of the land lease concession of the Land. As at the date of this announcement, Sun Fat has not obtained the relevant approval for the amendment of the land lease concession. The Directors currently expect that Sun Fat will be able to obtain the relevant approval within 12 months from the date of the application.

Under the 2nd Agreement, if the above approval is not obtained, or it has become impossible for Sun Fat to obtain it for any reason whatsoever, before the first anniversary of Completion, the Purchaser may elect that the 2nd Agreement be unwound, in which case none of the parties shall have any claim against the others for costs, damages, compensation or otherwise (save in respect of any prior breach of the 2nd Agreement) save that the Vendor shall refund the full consideration of HK\$158,300,000 under the 2nd Agreement in cash to the Purchaser without interest within 3 Business Days.

The expected source of funding by Sun Fat for the Development Plan will be from bank financing, subject to market availability. As at the date of this announcement, the Company has no further commitment in relation to the Development Plan.

FINANCIAL INFORMATION OF SUN FAT

The principal activities of Sun Fat are holding of a parcel of land (i.e. the Land). According to the audited accounts of Sun Fat for the year ended 31 December 2006, as at 31 December 2006, the total assets of Sun Fat were approximately MOP5.81 million (approximately HK\$5.64 million), its total liabilities were approximately MOP0.28 million (approximately HK\$0.27 million) and its net assets were approximately MOP5.53 million (approximately HK\$5.37 million).

Save for the acquisition of the Land, Sun Fat has not conducted any other business activities since its incorporation. Accordingly, no revenue or net profit has been recorded by Sun Fat since its incorporation.

Upon Completion, Sun Fat will become an indirect non wholly-owned subsidiary of the Company and its post-acquisition financial results will be consolidated into the Company's consolidated financial statements.

REASONS FOR AND BENEFITS OF THE 2nd ACQUISITION

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

The 2nd Acquisition will allow the Group to control of Sun Fat and further increase the Group's portfolio of property interests. Taking into account (i) the future prospect and growth potential for the property market in Macau; (ii) the financial information of Sun Fat for the year ended 31 December 2006; (iii) the independent valuation of the Land as at 8 June 2007; 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 2nd Agreement is in the interests of the Company and the Shareholders as a whole and the terms of the 2nd Agreement, including the consideration, are fair and reasonable.

LISTING RULES IMPLICATIONS

The 1st Acquisition constituted a discloseable transaction of the Company and a circular dated 5 July 2007 in connection of the 1st Acquisition had been despatched to the Shareholders in accordance with the Listing Rules. As the 2nd Agreement, if it becomes unconditional, is expected to be completed within 12 months from the 1st Agreement (pursuant to which Tamulus has acquired 49% of the issued quota capital of Sun Fat), the proposed acquisition of further 50% of the issued quota capital of Sun Fat by the Group through the Purchaser under the 2nd Agreement will be aggregated with the 1st Acquisition in accordance with Rule 14.22 of the Listing Rules. As some of the relevant percentage ratios under Rule 14.07 of the Listing Rules exceed 5% but less than 25%, the Aggregate Acquisition constitutes a discloseable transaction of the Company under the Listing Rules and a circular containing, among other things, details of the 2nd Acquisition will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

UNUSUAL PRICE AND VOLUME MOVEMENTS

The Directors have noted the increases in the price and trading volume of the Shares on 5 October 2007 and wish to state that save for the information disclosed above in this announcement in relation to the 2nd Acquisition, they are not aware of any reason for such increases.

The Directors confirm that save as disclosed above, there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Rule 13.23 of the Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

RESUMPTION OF TRADING OF THE SHARES

At the request of the Company, trading in the Shares on the Main Board of the Stock Exchange was suspended with effect from 9:30 a.m. on 8 October 2007 pending the release of this announcement. Application for the resumption of trading in the Shares on the Main Board of the Stock Exchange with effect from 9:30 a.m. on 9 October 2007 has been made by the Company.

DEFINITIONS

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

“1 st Acquisition”	the acquisition of 49% of the issued quota capital of Sun Fat from the Vendor by Tamulus pursuant to the 1 st Agreement
“2 nd Acquisition”	the proposed acquisition of 50% of the issued quota capital of Sun Fat from the Vendor by the Purchaser pursuant to the 2 nd Agreement
“Aggregate Acquisition”	the 1 st Acquisition and the 2 nd Acquisition
“1 st Agreement”	the sale and purchase agreement dated 13 June 2007 made between Tamulus, the Vendor and the Warrantors in relation to the 1 st Acquisition

“2 nd Agreement”	the sale and purchase agreement dated 5 October 2007 made between the Purchaser, Tamulus, the Vendor and the Warrantors in relation to the 2 nd Acquisition
“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 Macau and 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 2 nd Agreement
“connected persons”	has the meaning given to it in the Listing Rules
“Consideration Shares”	555,000,000 Shares, to be issued and credited as fully paid by the Company to the Vendor in accordance with the terms of the 2 nd Agreement
“Development Plan”	the development plan for the Land, to develop 48 residential houses and related facilities with a total gross floor area of approximately 19,394 square metres on the Land
“Director(s)”	the director(s) of the Company
“Existing General Mandate”	the general mandate granted to the Directors at the extraordinary general meeting of the Company held on 10 May 2007 to allot, issue or otherwise deal with Shares not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of such extraordinary general meeting
“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)
“Land”	a piece of land located in Terreno junto a Estrada de Nossa Senhora de Ka Ho — Coloane, Macau (位於鄰近九澳聖母馬路之土地 — 澳門路環)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC

“Purchaser”	Silver Pro Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Macau and Taiwan
“Sale Quota”	quota representing in aggregate 50% of the issued quota capital of Sun Fat
“Share(s)”	share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sun Fat”	Sun Fat Investment and Industry Company Limited, a company incorporated in Macau with limited liability
“Tamulus”	Tamulus Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company, and the purchaser in the 1 st Agreement
“Vendor”	Kong Kei Construction Limited, a company incorporated in Macau with limited liability
“Warrantors”	Mr. Wong Tak Chong and Mr. Chen Yanping, the existing beneficial owners of all the issued quota capital of the Vendor
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“MOP”	Macau Patacas, the lawful currency of Macau

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

By Order of the Board
CAPITAL ESTATE LIMITED
Chu Nin Yiu, Stephen
Executive Chairman

Hong Kong, 8 October 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.