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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)**

**FULLKEEN HOLDINGS LIMITED**  
**富健控股有限公司\***

*(Incorporated in the British Virgin Islands with limited liability)*

**(1) CONNECTED TRANSACTION — SUBSCRIPTION FOR SHARES  
BY A CONNECTED PERSON;  
AND  
(2) WHITEWASH WAIVER**

**THE SUBSCRIPTION**

The Board is pleased to announce that on 16 April 2009, the Company and Fullkeen, a company beneficially owned as to 70% owned by Mr. Sio and as to 30% owned by Mr. Si, entered into the Subscription Agreement in relation to the Subscription of 8,000,000,000 new Shares at HK\$0.025 per Subscription Share.

The net proceeds from the Subscription in the amount of approximately HK\$199.1 million will be applied in the manner set out in the paragraph headed “Reasons for the Subscription and use of proceeds”.

As Fullkeen is beneficially owned as to 70% by Mr. Sio, a director of a subsidiary of the Company, Fullkeen is an associate of Mr. Sio, which is a connected person of the Company under the Listing Rules. Accordingly, the Subscription constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to, among others, the approval of the Independent Shareholders at the EGM on which voting shall be taken by poll.

**WHITEWASH WAIVER**

Mr. Sio, Mr. Si, Mr. Chu and Ms. Lao Im Ha are parties acting in concert.

Upon completion of the Subscription, the total interest of the Concert Group in the Company will increase from approximately 26.9% to approximately 54.4%.

Under Rule 26 of the Takeovers Code, the issue of the Subscription Shares to Fullkeen pursuant to the Subscription Agreement will trigger a mandatory offer by Fullkeen for all the securities of the Company other than those already owned by the Concert Group. An application will be made by Fullkeen to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to the approval of the Independent Shareholders at the EGM on which voting shall be taken by poll. The Concert Group and their respective associates will abstain from voting on the resolution to approve the Whitewash Waiver at the EGM.

\* For identification purposes only

## **GENERAL**

A circular containing, among other things, information relating to the Subscription and the Whitewash Waiver, a letter from the independent board committee of the Company and a letter of advice from the independent financial adviser together with a notice convening the EGM will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

## **INTRODUCTION**

The Board is pleased to announce that on 16 April 2009, the Company and Fullkeen, a company beneficially owned as to 70% owned by Mr. Sio and as to 30% owned by Mr. Si, entered into the Subscription Agreement in relation to the subscription of 8,000,000,000 new Shares at HK\$0.025 per Subscription Share.

## **THE SUBSCRIPTION AGREEMENT**

Summarised below are the principal terms of the Subscription Agreement:

### **Date**

16 April 2009

### **Parties**

- (a) Issuer: the Company; and
- (b) Subscriber: Fullkeen

Fullkeen is a company incorporated on 6 March 2009 in the BVI with limited liability and is an investment holding company. Fullkeen is beneficially owned as to 70% owned by Mr. Sio and as to 30% owned by Mr. Si.

As Fullkeen is beneficially owned as to 70% by Mr. Sio, a director of a subsidiary of the Company, Fullkeen is an associate of Mr. Sio, which is a connected person of the Company under the Listing Rules.

### **Subscription Price**

The Subscription Price of HK\$0.025 was determined on an arm's length basis and represents:

- (i) a discount of approximately 28.57% to the closing price of HK\$0.035 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 20.38% to the average closing price per Share of approximately HK\$0.0314 in the last five consecutive trading days immediately prior to and including the Last Trading Day;

- (iii) a discount of approximately 16.67% to the average closing price per Share of approximately HK\$0.0300 in the last ten consecutive trading days immediately prior to and including the Last Trading Day; and
- (iv) a discount of approximately 57.26% to the Company's unaudited consolidated net assets of approximately 0.0585 per Share as at 31 January 2009.

### **Ranking of the Subscription Shares**

The Subscription Shares, when issued and fully paid, will rank pari passu among themselves and with Shares in issue at the time of issue and allotment of the Subscription Shares.

### **The Subscription Shares**

The Subscription Shares represent approximately 60.2% of the existing issued share capital of the Company and approximately 37.6% of the issued share capital of the Company as enlarged by the Subscription Shares, respectively.

The Subscription Shares will be issued under a specific mandate to be considered by the Independent Shareholders at the EGM. Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Subscription Shares.

### **Conditions of the Subscription Agreement**

Completion of the Subscription Agreement is conditional upon:

- (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares;
- (ii) the granting of the Whitewash Waiver by the Executive; and
- (iii) the Independent Shareholders approving by way of poll at the EGM the Subscription Agreement, the Whitewash Waiver and the issue and allotment of the Subscription Shares to Fullkeen and the implementation of the transactions contemplated under the Subscription Agreement.

The above conditions cannot be waived by the parties to the Subscription Agreement. In the event that the conditions to the Subscription Agreement are not fulfilled by 31 July 2009, or such later date as may be agreed between the Company and Fullkeen, all rights, obligations and liabilities of the parties in respect of or under the Subscription Agreement shall cease and terminate, and no party shall have any claim of any nature whatsoever against the other parties under the Subscription.

Completion shall take place on the eighth business day after fulfillment of the conditions and shall be no later than 31 July 2009 (or such later date as the Company and Fullkeen may agree in writing).

## REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Group is principally engaged in property rental, financial investment, property development and sale, and hotel operations.

Reference is made to the circular of the Company dated 28 March 2008 in relation to the Hotel Fortuna Acquisition. As announced by the Company, on 29 February 2008, the Company entered into the sale and purchase agreement with the Hotel Fortuna Vendors (one of the Hotel Fortuna Vendors, namely Mason Creation Limited, is beneficially owned as to 50% by Mr. Sio and as to 20% by Mr. Si) pursuant to which the Company conditionally agreed to acquire from the Hotel Fortuna Vendors the entire issued share capital of Hotel Fortuna (Hong Kong) and the relevant shareholders' loans at an aggregate consideration of HK\$550,000,000, subject to adjustments. The Hotel Fortuna Acquisition was approved by the then shareholders of the Company on 14 April 2008 and was subsequently completed on 31 December 2008 ("Completion Date") at the adjusted consideration of approximately HK\$534.0 million. Out of the total consideration, HK\$284.0 million (before any accrued interest) remains outstanding, which will be settled on or before the expiry of the third year after the Completion Date in accordance with the terms of the relevant sale and purchase agreement (the "Hotel Fortuna Loan"). The Company is currently paying an interest to each of the Hotel Fortuna Vendors at the rate of 2% per annum on the outstanding amount of the Hotel Fortuna Loan.

As stated in the interim result announcement of the Company dated 8 April 2009, the Group's unaudited net loss attributable to equity holders of the Company for the six months ended 31 January 2009 amounted to approximately HK\$229.3 million, representing a deterioration from an unaudited net loss of approximately HK\$146.5 million for the same period last year which was mainly attributable to the impairment loss on properties for development and the goodwill arising from the acquisition of Hotel Fortuna (Hong Kong) as a result of the recent downturn in the global economy and uncertainties surrounding the financial and property markets. As a result of the completion of the Hotel Fortuna Acquisition, the Group's gearing ratio (total liabilities / shareholders' funds before minority interests) amounted to approximately 74.0% as at 31 January 2009 compared with approximately 4.0% as at 31 July 2008.

Notwithstanding the fact that the Group has the financial capabilities to settle the interest to the Hotel Fortuna Vendors as they fall due, the Directors are mindful of the significant deterioration in economic and credit conditions that have affected the world economies since the announcement of the Hotel Fortuna Acquisition in March 2008. Given the uncertainty outlook in the near to medium term, the Group is well conscious of the risk that there is no assurance that the Company will be able to obtain the necessary funding, either through debt or equity financing or both, to re-finance the Hotel Fortuna Loan.

The Directors, having taken the prudent approach in evaluating the current financial position of the Group, consider the entering into the Subscription Agreement would allow the Group to (i) strengthen its capital base; (ii) improve its gearing ratio; (iii) remove the uncertainty over the Company's financial position to pay the majority of the outstanding remaining balance under the Hotel Fortuna Acquisition; and (iv) to save the interest expense for the majority of the remaining outstanding balance. In addition, the Directors consider that the Subscription, and the consequential strengthening of the Group's financial position, would afford the Group more flexibility in seeking new investment opportunities, which may entail new debt financing arrangements at appropriate terms.

The gross proceeds from the Subscription are estimated to be approximately HK\$200 million. After deducting estimated expenses relating to the Subscription, the net proceeds from the Subscription would amount to approximately HK\$199.1 million. The Company intends to use the net proceeds as to approximately HK\$170 million for settling an outstanding balance payable to the Hotel Fortuna Vendors in relation to the Hotel Fortuna Acquisition and as to approximately HK\$29.1 million for general working capital purposes. On this basis, the net price per Subscription Share is approximately HK\$0.0249.

The Directors (excluding the independent non-executive Directors who will express their view after receiving advice from the independent financial adviser) are of the view that the terms of the Subscription Agreement and the Whitewash Waiver are fair and reasonable. Having considered the above factors, the Board is of the view that the Subscription is in the interests of the Company and the Shareholders as a whole.

## EFFECT ON SHAREHOLDING STRUCTURE

The following table sets out the shareholding structure of the Company before and after completion of the Subscription:

	Existing shareholding		Immediately after completion of the Subscription	
	Number of Shares	Approximate percentage (%)	Number of Shares	Approximate percentage (%)
Subscriber <sup>1</sup>	—	—	8,000,000,000	37.6
Ms. Lao Im Ha <sup>2</sup>	244,910,000	1.8	244,910,000	1.1
Mr. Chu <sup>3</sup>	3,334,474,000	25.1	3,334,474,000	15.7
Aggregate holdings of the Concert Group	3,579,384,000	26.9	11,579,384,000	54.4
Other Shareholders	9,707,512,896	73.1	9,707,512,896	45.6
Total	<u>13,286,896,896</u>	<u>100</u>	<u>21,286,896,896</u>	<u>100</u>

*Note :*

1. The Subscriber is owned as to 70% by Mr. Sio and 30% by Mr. Si.
2. Ms. Lao Im Ha is the spouse of Mr. Sio.
3. Mr. Chu is a director of the Company. On 19 September 2008, Mr. Chu was granted options to subscribe for 117,000,000 new Shares at the exercise price of HK\$0.0348 per Share, exercisable from 19 September 2008 to 18 March 2010.

Save for a total of 197,000,000 options, the Company has no outstanding securities, warrants, options or derivatives which are convertible or exchangeable into Shares as at the date of this announcement.

## PREVIOUS FUND RAISING EXERCISES OF THE COMPANY

The Company did not have any fund raising exercises in the past 12 months immediately preceding the date of this announcement.

## WHITEWASH WAIVER

Mr. Sio, Mr. Si, Mr. Chu and Ms. Lao Im Ha are parties acting in concert.

As at the date of this announcement, Mr. Chu, the executive chairman and a substantial Shareholder of the Company, and Ms. Lao Im Ha, spouse of Mr. Sio, were interested in 3,334,474,000 and 244,910,000 Shares, representing approximately 25.1% and 1.8% of the issued share capital of the Company, respectively.

Upon completion of the Subscription, the total interest of the Concert Group in the Company will increase from approximately 26.9% to approximately 54.4%.

Under Rule 26 of the Takeovers Code, the issue of the Subscription Shares to Fullkeen pursuant to the Subscription Agreement will trigger a mandatory offer by Fullkeen for all the securities of the Company other than those already owned by the Concert Group. An application will be made by Fullkeen to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to the approval of the Independent Shareholders at the EGM on which voting shall be taken by poll. The Concert Group and their respective associates will abstain from voting on the resolution to approve the Whitewash Waiver at the EGM.

It is one of the conditions of the Subscription Agreement that the Whitewash Waiver be granted by the Executive and be approved by the Independent Shareholders at the EGM. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Subscription Agreement will not become unconditional and the Subscription will not proceed.

None of the Concert Group has acquired any voting rights of the Company for the period from 17 October 2008 (being six months prior to the date of this announcement) to the date of this announcement.

## **IMPLICATION OF THE LISTING RULES**

As Fullkeen is beneficially owned as to 70% by Mr. Sio, a director of a subsidiary of the Company, Fullkeen is an associate of Mr. Sio, which is a connected person of the Company under the Listing Rules. Accordingly, the Subscription constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to, among others, the approval of the Independent Shareholders at the EGM on which voting shall be taken by poll.

The Concert Group and their respective associates will abstain from voting on the resolution to approve the Subscription.

## **GENERAL**

An independent financial adviser will be appointed to advise the independent committee of the Board in respect of the Subscription and the Whitewash Wavier. A further announcement will be made by the Company as soon as possible after the appointment of the independent financial adviser.

A circular containing, among other things, information relating to the Subscription and the Whitewash Waiver, a letter from the independent board committee of the Company and a letter of advice from the independent financial adviser together with a notice convening the EGM will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.



## DEFINITIONS

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

“associates”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“BVI”	British Virgin Islands
“Company”	Capital Estate Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange
“Concert Group”	Mr. Chu, Mr. Si, Mr. Sio, Ms. Lao Im Ha, spouse of Mr. Sio and Fullkeen
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the Subscription Agreement, the Whitewash Waiver and the issue and allotment of the Subscription Shares to Fullkeen and the implementation of the transactions contemplated under the Subscription Agreement
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegates
“Fullkeen” or the “Subscriber”	Fullkeen Holdings Limited, a company incorporated in the BVI with limited liability
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hotel Fortuna Acquisition”	the acquisition of 100% of the issued share capital of Hotel Fortuna (Hong Kong) from the Hotel Fortuna Vendors by the Company
“Hotel Fortuna (Hong Kong)”	Hotel Fortuna (Hong Kong) Company Limited, a company incorporated in Hong Kong with limited liability
“Hotel Fortuna Vendors”	Mason Creation Limited, a company beneficially owned as to 50% by Mr. Sio and as to 20% by Mr. Si, Upper Way Holdings Limited and Mr. Siu Ka Kuen
“Independent Shareholders”	Shareholders other than the Concert Group and those who are involved in or interested in the Subscription
“Last Trading Day”	16 April 2009, being the last full trading day immediately before the signing of the Subscription Agreement

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chu”	Mr. Chu Nin Yiu, Stephen, the executive chairman and a substantial shareholder of the Company and beneficially interested in 25.1% of the issued share capital of the Company
“Mr. Si”	Mr. Si Tit Sang, beneficially owns 30% of Fullkeen
“Mr. Sio”	Mr. Sio Tak Hong, beneficially owns 70% of Fullkeen
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription for the Subscription Shares as contemplated under the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 16 April 2009 entered into between the Company and Fullkeen in respect of the Subscription
“Subscription Price”	HK\$0.025 for each Subscription Share
“Subscription Shares”	8,000,000,000 new Shares to be issued and allotted under the Subscription Agreement
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code, in respect of the obligations of the Concert Group to make a mandatory general offer for all the securities of the Company not already owned by the Concert Group which would otherwise arise as a result of the issue and allotment of the Subscription Shares under the Subscription Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	percent

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

Hong Kong, 16 April 2009



*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.*

*As at the date of this announcement, there are two directors of Fullkeen namely Mr. Sio Tak Hong and Mr. Si Tit Sang.*

*The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement relating to the Group and confirm, having made all reasonable enquiries, that to the best of their knowledge, their opinions expressed in this announcement relating to the Group have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any such statements in this announcement misleading.*

*The directors of Fullkeen jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than information relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, their opinions expressed in this announcement (other than opinions expressed by the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any such statements in this announcement misleading.*