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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)

PROPOSED ISSUE OF HK\$135,000,000 AGGREGATE PRINCIPAL AMOUNT CONVERTIBLE NOTES DUE 2013

On 14 October 2010, the Company and the Placing Agent entered into the Placing Agreement, in which the Placing Agent agreed to procure, on a best effort basis, Subscribers for up to HK\$135,000,000 aggregate principal amount of 4 per cent. Convertible Notes of the Company due in 2013 convertible into Shares during the Conversion Period at the initial Conversion Price of HK\$0.36 each (subject to adjustment).

The Conversion Price of HK\$0.36 represents a premium of approximately 5.9% and 7.1% over the closing price of HK\$0.340 per Share and the last 10 days average closing price of HK\$0.336 per Share respectively as quoted on the Stock Exchange on 14 October 2010, being the date of the Placing Agreement. Should the Convertible Notes be converted in full at the Conversion Price, the Conversion Shares will represent approximately 17.5% of the existing issued share capital of the Company and approximately 14.9% of the share capital of the Company as enlarged by the issue of the Conversion Shares.

The Conversion Shares will be allotted and issued pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 11 December 2009. Application will be made by the Company to the Stock Exchange for the approval of the listing of, and permission to deal in, the Conversion Shares.

No application will be made for a listing of the Convertible Notes.

The gross proceeds to be raised by the Subscription are estimated to be approximately HK\$135,000,000. The net proceeds (after deducting estimated expenses) are estimated to be approximately HK\$131,200,000. The net proceeds from the Subscription will be used for general working capital of the Group.

WARNING

Completion of the issue of Placing Notes is subject to fulfilment of the Conditions Precedent and the Placing Agreement is on a “best effort” basis only and therefore the issue of Placing Notes may or may not complete. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

The Convertible Notes have not been offered or sold and may not be offered or sold to the public in Hong Kong and none of the Convertible Notes will be placed with any connected persons of the Company. The subscribers of the Convertible Notes are independent third parties of the Company. The Convertible Notes and the Shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except in transactions exempt from, or not subject to, the registration requirements of the Securities Act.

PLACING AGREEMENT

Date

14 October 2010

Parties

- (1) The Company as the issuer; and
- (2) The Placing Agent as the placing agent.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Placing Agent is an Independent Third Party.

The Placing Agent has conditionally agreed to place, on a best effort basis, up to HK\$135,000,000 principal amount of Placing Notes.

Placing commission

The Placing Agent will receive a placing commission of 2.5% of the aggregate principal amount of the Placing Notes issued to Subscribers. The placing commission was agreed at after arm's length negotiation between the Company and the Placing Agent by reference to the size, the current market condition and the time allowed for the Placing Agent to procure Subscribers to subscribe the Placing Notes.

The Directors are of the view that the placing commission payable under the Share Placing is fair and reasonable.

Subscribers

The Convertible Notes will be placed to individual, institutional or other professional investor(s) who and whose ultimate beneficial owners are Independent Third Parties. The Subscribers and their ultimate beneficial owners will be independent of and not acting in concert with the directors, chief executives and substantial shareholders of the Company or its subsidiaries or any of their respective associates.

Conditions Precedent

Completion of the issue of Placing Notes is conditional upon:

- (i) the Listing Committee of the Stock Exchange having granted (either unconditionally or subject only to conditions to which the Company does not reasonably object) listing of and permission to deal in the Conversion Shares in respect of the Placing Notes; and
- (ii) compliance with any other requirements under the Listing Rules or otherwise of the Stock Exchange with which the Placing must comply in relation to the issue of the Placing Notes and the issue and allotment of the Conversion Shares falling to be issued on the exercise of the conversion rights attached to the Placing Notes (save in respect of any requirements which apply after the Placing Notes are issued).

Completion

Completion of the issue of Placing Notes shall take place from time to time as subscribers for these Placing Notes are selected and after the satisfaction of the Conditions Precedent.

WARNING

Completion of the issue of Placing Notes is subject to fulfilment of the Conditions Precedent and the Placing Agreement is on a “best effort” basis only and therefore the issue of Placing Notes may or may not complete. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

CONVERTIBLE NOTES

The principal terms of the Convertible Notes will be as follows:

Issuer:	The Company
Principal amount:	up to HK\$135,000,000 in aggregate
Maturity Date:	the third anniversary of the issue date of the Convertible Notes
Interest:	The Convertible Notes will bear interest at a rate of 4 per cent. per annum payable semi-annually in arrears
Conversion Price:	HK\$0.36 per Conversion Share (subject to the usual provisions for adjustments arising from events such as share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and other equity or equity derivatives issues)

The initial Conversion Price of HK\$0.36 represents:

- (i) a premium of about 5.9% to the closing price of HK\$0.340 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of about 7.5% to the average of the closing price of HK\$0.335 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;

- (iii) a premium of about 7.1% to the average of the closing price of HK\$0.336 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day; and
- (iv) a premium of about 10.4% to the average of the closing price of HK\$0.326 per Share as quoted on the Stock Exchange for the last thirty consecutive trading days up to and including the Last Trading Day.

The Conversion Price was determined after arm's length negotiations between the Company and the Placing Agent with reference to the relevant market prices of the Shares. The Directors are of the view that the Conversion Price is fair and reasonable and is in the interest of the Company and its Shareholders as a whole.

Conversion Period: The period commencing from the Issue Date up to the Business Day last preceding the fifth Business Day prior to the Maturity Date.

Conversion: The Noteholders shall have the right to convert at any time during the Conversion Period the whole or part of the principal amount of the Convertible Notes (in minimum amount of HK\$1,000,000 or integral multiple thereof) into Conversion Shares at the then applicable Conversion Price.

The Conversion Shares shall, when issued, rank pari passu in all respects with all the Shares then in issue on the date when the holder of such Conversion Shares is registered as such in the Company's register of members including the right to any dividends or distributions.

Status: The obligations of the Company arising under the Convertible Notes will constitute direct, unconditional, unsecured and unsubordinated obligations of the Company and rank, and shall rank equally among themselves and pari passu with all other present and future direct, unconditional, unsecured and unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable law.

Redemption: Unless previously redeemed, converted or repaid in accordance with the terms and conditions of the Convertible Notes, the Company will redeem all Convertible Notes at their principal amount together with accrued and unpaid interest thereon on the Maturity Date. The Company may redeem the Convertible Notes at its option prior to the Maturity Date.

Transferability: The Convertible Notes may be transferred in minimum amounts of HK\$1,000,000 or integral multiples thereof. However, except with the prior consent of the Company, the Convertible Notes may not be transferred to any connected person of the Company. Any transfer of the Convertible Notes will be conditional upon and subject to (1) the Listing Rules for so long as the Shares are listed on the Stock Exchange and all applicable laws and regulations; and (2) the approval of the shareholders of the Issuer in a general meeting if so required under, and in compliance with the Listing Rules if such transfer is proposed to be made to a connected person of the Company.

Voting rights:	The holders of the Convertible Notes will not be entitled to attend or vote at any general meetings of the Shareholders by reason only of holding the Convertible Notes.
Listing:	The Convertible Notes will not be listed on the Stock Exchange or any other stock exchange.
Governing Law:	Hong Kong.

The Conversion Shares will be allotted and issued pursuant to the General Mandate and will not be subject to further Shareholders' approval. Application will be made by the Company to the Stock Exchange for the approval of the listing of, and permission to deal in, the Conversion Shares. No application will be made for a listing of the Convertible Notes.

Upon full conversion of the Convertible Notes based on the initial Conversion Price of HK\$0.36 per Share, a maximum of 375,000,000 Conversion Shares will be issued, representing approximately 17.5% of the existing issued share capital of the Company or approximately 14.9% of the enlarged issued share capital of the Company.

EFFECT ON SHAREHOLDING OF THE COMPANY

Set out below is a summary of the shareholding of the Company (i) at the date of this announcement, and (ii) immediately after Closing, assuming full conversion of all the Convertible Notes at the initial Conversion Price of HK\$0.36 per Share, prepared on the basis that there would be no change in the issued share capital of the Company after the date of this announcement other than as stated.

	At the date of this announcement		Immediately after completion of the issue of all the Convertible Notes, assuming full conversion of the Convertible Notes at the initial Conversion Price of HK\$0.36 per Share (for illustrative purpose only)	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Fulkeen Holdings Limited ⁽¹⁾	800,000,000	37.3	800,000,000	31.7
Ms. Liu Yan Xia (also known as "Lao Im Ha") ⁽²⁾	24,491,000	1.1	24,491,000	1.0
Supervalue Holdings Limited ⁽³⁾	333,447,400	15.5	333,447,400	13.2
Chu Nin Yiu, Stephen ("Mr. Chu")	11,700,000	0.5	11,700,000	0.4
Subscribers ⁽⁴⁾	—	0.0	375,000,000	14.9
Other Public Shareholders	978,751,289	45.6	978,751,289	38.8
Total	<u>2,148,389,689</u>	<u>100.0</u>	<u>2,523,389,689</u>	<u>100.0%</u>

Notes:

- (1) Fulkeen Holdings Limited is owned by Mr. Sio Tak Hong ("Mr. Sio") and Mr. Si Tit Sang ("Mr. Si") as to 70% and 30% respectively. Mr. Sio is a director of the Company.
- (2) Ms. Liu Yan Xia (also known as "Lao Im Ha") is the spouse of Mr. Sio.

- (3) Supervalue Holdings Limited is wholly owned by Mr. Chu, who is a director of the Company.
- (4) Each of the Subscribers is expected to be Independent Third Party. None of the Subscribers is expected by the Company to become a substantial Shareholder immediately after the conversion in full of the Convertible Notes.

As at the date of this Announcement, the Company had no outstanding securities, warrants, options or derivatives which are convertible or exchangeable into Shares.

USE OF PROCEEDS AND REASONS FOR THE ISSUE OF THE CONVERTIBLE NOTES

The Company is an investment holding company and its subsidiaries are principally engaged in property investment and development, hotel operation, financial investment and related activities.

The net proceeds from the placing of the Convertible Notes (after deducting estimated expenses) are estimated to be approximately HK\$131,200,000, which will be used for general working capital of the Group.

In view of current market conditions, the Directors believe that the placing of the Convertible Notes is an effective and convenient way for the Company to raise additional capital and strengthen the financial position of the Company, while broadening its capital and shareholder base. The Directors consider that the terms of the Placing Agreement are fair and reasonable and that the placing is in the interest of the Company and the Shareholders as a whole.

FUND RAISING EXERCISES DURING THE PAST 12 MONTHS

The Company has not engaged in any other fund raising activities during the 12 months immediately before the date of this announcement.

LISTING RULES IMPLICATIONS

Depending on the ownership of the resulting Conversion Shares amongst other things, as a result of conversion of the Convertible Notes the Company may be unable to meet the public float requirement under the Listing Rules and trading in its shares may be suspended as a result until it complies with the public float requirement.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Placing Agent is an Independent Third Party and neither the Placing Agent nor any of their respective associates holds any Shares at the date of this announcement has a material interest in the issue and placing of the Convertible Notes.

DEFINITIONS

In this announcement the following terms are used with the meanings set opposite them below:

“associate(s)”	the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day other than Saturday and Sunday on which commercial banks are open for business in Hong Kong

“Company”	Capital Estate Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the main board of the Stock Exchange
“Conditions Precedent”	the conditions to which completion of the issue of the Placing Notes is subject as set out in the paragraph headed “Conditions Precedent” in this announcement
“connected person(s)”	the meaning ascribed to it in the Listing Rules
“Conversion Price”	HK\$0.36 per Share, subject to adjustment
“Conversion Rights”	the right of the holder(s) of the Convertible Notes to convert the whole or part of the principal amounts of the Convertible Notes into shares in the issued share capital of the Company, as set out in the paragraph headed “Convertible Notes” in this announcement
“Conversion Shares”	new Shares to be allotted and issued upon exercise of the Conversion Rights
“Convertible Notes”	the up to HK\$135,000,000 principal amount of 4 per cent. Convertible Notes to be issued by the Company
“Directors”	the directors of the Company
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 11 December 2009 to issue and allot up to 426,297,937 new Shares, representing 20% of the then issued share capital of the Company as at the date of such annual general meeting
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of and not connected or acting in concert with the Company or any of its connected persons, nor are connected persons of the Company
“Issue Date”	the date on which the Convertible Notes are issued
“Last Trading Day”	14 October 2010, being the last trading day of the Shares on the Stock Exchange immediately prior to the publication of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Noteholders”	holders of Convertible Notes from time to time
“Placing Agent”	Get Nice Securities Limited

“Placing Agreement”	the placing agreement dated 14 October 2010 entered into between the Placing Agent and the Company in relation to the placing of the Convertible Notes
“Placing Notes”	Convertible Notes of up to an aggregate principal amount of HK\$135,000,000 to be issued pursuant to the Placing Agreement
“Share(s)”	the ordinary share(s) of HK\$0.1 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber(s)”	any independent individual, institutional or other professional investor(s) procured by the Placing Agent to subscribe for any of the Placing Notes pursuant to the Placing Agreement but excluding any investor the issue of the Placing Notes to which the Company objects
“%”	per cent

By Order of the Board
Capital Estate Limited
Sio Tak Hong
Chairman

14 October 2010

As at the date of this announcement, the directors of the Company are Mr. Sio Tak Hong, Mr. Chu Nin Yiu, Stephen, Mr. Chu Nin Wai, David, Mr. Lau Chi Kan, Michael, Mr. Li Sze Kuen, Billy, Mr. Wong Kwong Fat and Mr. Leung Kam Fai.