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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 A 10% ATTRIBUTABLE INTEREST IN
HOTEL FORTUNA, MACAU**

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context otherwise requires:

“Acquisition”	the acquisition of a 10% interest in Tin Fok by the Purchaser pursuant to the Agreement
“Agreement”	the conditional sale and purchase agreement dated 16 December 2005 made between the Purchaser, the Vendor and the Guarantor in relation to the sale and purchase of the Sale Shares
“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
“Completion”	completion of the Agreement
“Connected persons”	the meaning given to it in the Listing Rules
“Consideration”	the consideration for the sale and purchase of the Sale Shares pursuant to the Agreement, being HK\$60 million in total
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Guarantor”	Mr. Sio Tak Hong, the beneficial holder of all of the issued share capital of the Vendor
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hotel”	“Hotel Fortuna”, a three star hotel located at the southern side of Praça De D. Afonso Henriques at its junctions with Rua De Cantao and Rua De Foshan in Macau
“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
“Latest Practicable Date”	4 January 2006, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“PRC”	the People’s Republic of China, which shall for the purpose of this circular exclude Hong Kong and Macau
“Purchaser”	Top Universal Management Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Sale Shares”	200 shares owned by the Vendor representing in aggregate 10% of the existing issued share capital of Tin Fok
“SFO”	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.20 each in the capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tin Fok”	Tin Fok Holding Company Limited, a company incorporated in Macau with limited liability
“Tin Fok Group”	Tin Fok and its subsidiaries
“Vendor”	Global Master Management Limited, an Independent Third Party
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“MOP”	Macau Patacas, the lawful currency of Macau
“%”	per cent.

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

LETTER FROM THE BOARD



CAPITAL ESTATE LIMITED

冠中地產有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 193)

Executive Directors:

Mr. Chu Nin Yiu, Stephen

(Executive Chairman)

Mr. Chu Nin Wai, David

(Deputy Chairman)

Mr. Lau Chi Kan, Michael

Registered Office:

Unit 1901, 19th Floor

Asia Orient Tower, Town Place

33 Lockhart Road

Wanchai

Hong Kong

Independent non-executive Directors:

Mr. Li Sze Kuen, Billy

Mr. Wong Kwong Fat

Mr. Leung Kam Fai

6 January 2006

To the Shareholders and, for information only, holders of the options

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION ACQUISITION OF A 10% ATTRIBUTABLE INTEREST IN HOTEL FORTUNA, MACAU

1. INTRODUCTION

The Board announced on 19 December 2005 that the Vendor, the Purchaser and the Guarantor had entered into a conditional sale and purchase agreement. The Purchaser is a wholly-owned subsidiary of the Company. Pursuant to the Agreement, the Vendor conditionally agreed to dispose of and the Purchaser conditionally agreed to acquire a 10% equity interest in Tin Fok for a total consideration of HK\$60 million. Tin Fok holds a 100% interest in the Hotel.

The Acquisition was completed on 3 January 2006. The purpose of this circular is to provide you with further information in respect of the Acquisition and other information as required under the Listing Rules.

LETTER FROM THE BOARD

2. THE AGREEMENT

(i) **Date**

16 December 2005

(ii) **Parties to the Agreement**

Vendor: Global Master Management Limited, an Independent Third Party

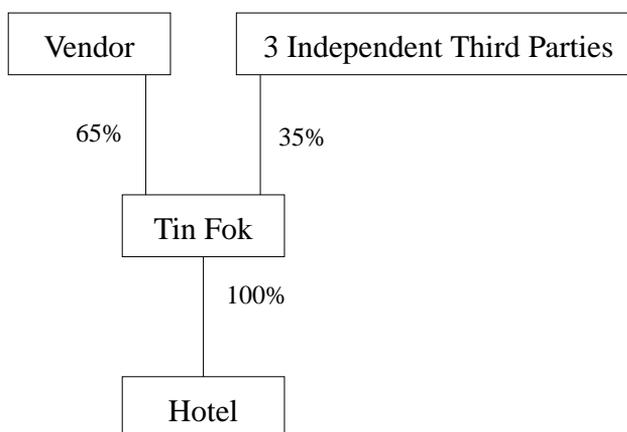
Purchaser: Top Universal Management Limited, a wholly-owned subsidiary of the Company incorporated in Hong Kong with limited liability

Guarantor: Mr. Sio Tak Hong, an Independent Third Party, who is the beneficial holder of all the issued share capital of the Vendor, as guarantor of the obligations of the Vendor under the Agreement

(iii) **Subject of the sale and purchase**

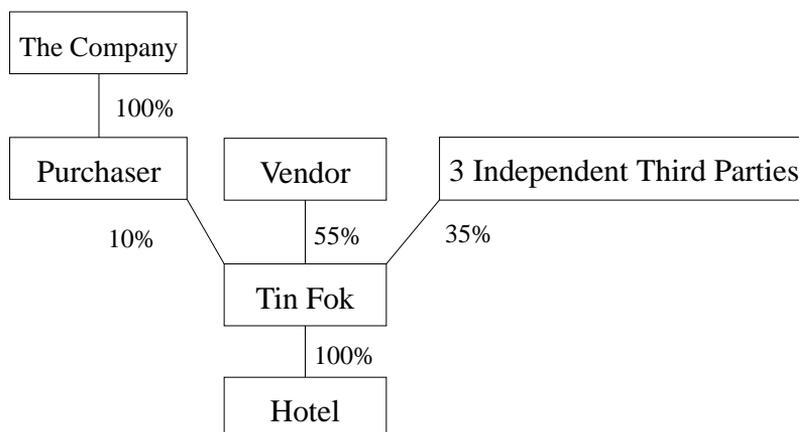
Pursuant to the Agreement, the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, as the legal and beneficial owner of, the Sale Shares free from any encumbrances, liens, charges, equities or third party rights. The Sale Shares represent 10% of the existing issued share capital of Tin Fok. Tin Fok is a company incorporated in Macau with limited liability and is 65% beneficially owned by the Vendor. Completion took place on 3 January 2006 and the Vendor now holds a 55% equity interest in Tin Fok. The remaining 35% equity interest in Tin Fok is beneficially owned by three Independent Third Parties. To the best knowledge of the Directors, these three Independent Third Parties agreed to waive their pre-emptive rights in respect of the transfer of shares in Tin Fok as contained in the articles of association of Tin Fok.

Set out below is the shareholding structure of Tin Fok before the Acquisition:



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Set out below is the shareholding structure of Tin Fok:



(iv) The consideration

The consideration for the Sale Shares of HK\$60 million was agreed between the parties based on arm's length negotiation taking into account the financial information of Tin Fok and the future prospects of the hotel industry in Macau.

The Consideration was satisfied as follows:

- (a) HK\$30 million, by way of refundable deposit, which was paid in cash upon signing of the Agreement ("Deposit"); and
- (b) HK\$30 million, being the balance of the Consideration was paid in cash on Completion.

The Deposit is refundable under certain circumstances which are summarised in the paragraph headed "Conditions of the Agreement and Completion" below.

The Consideration was paid from internal resources of the Group.

(v) Conditions of the Agreement and Completion

Completion was conditional upon:

- (a) the Purchaser undertaking a due diligence review of the Tin Fok Group and being satisfied with such review in all respects within 14 days after the date of the Agreement;

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- (b) the Vendor delivering to the Purchaser a legal opinion addressed to the Purchaser by a firm of lawyers qualified to advise on Macau law, in form and substance satisfactory to the Purchaser; and
- (c) all consents or approvals of any governmental authorities or other relevant regulatory bodies in Hong Kong and Macau which are necessary for the entering into and implementation of the Agreement having been obtained and remain current and valid.

The conditions were fulfilled and completion took place on 3 January 2006.

(vi) Undertakings and Option

The Vendor has undertaken and guaranteed to the Purchaser in the Agreement that,

- (a) in respect of the two financial years ending 31 December 2006 and 31 December 2007, Tin Fok will pay a dividend on the Sale Shares of an aggregate sum of no less than HK\$3,600,000 per financial year (“Guaranteed Dividend”); and
- (b) unless the Purchaser exercises the Options (as defined below), in the event that the Guaranteed Dividend for any one financial year referred to in (a) above is not achieved, the Vendor will, on demand of the Purchaser, indemnify the Purchaser in full, on a dollar for dollar basis, the relevant shortfall.

Subject to compliance by the Purchaser with the articles of association of Tin Fok, the Vendor granted to the Purchaser the right (“Option”) to require the Vendor to purchase or procure the purchase from the Purchaser or its nominee of all of the Sale Shares at a consideration of HK\$60,000,000, in the event that the Guaranteed Dividend for any one financial year referred to above is not achieved.

(vii) Guarantor’s obligations

In the Agreement, the Guarantor unconditionally and irrevocably:

- (a) guarantees by way of continuing obligation to the Purchaser as primary obligor, and not merely as surety, the due and punctual payment of all amounts payable by the Vendor under the Agreement; and
- (b) undertakes to the Purchaser to procure the performance by the Vendor of all its other obligations contained or implied in the Agreement.

LETTER FROM THE BOARD

The Guarantor's obligations are continuing obligations and are to remain in full force and effect until all of the money or obligations for which the Vendor is or may become liable under the Agreement have been paid, satisfied or performed.

3. INFORMATION OF TIN FOK AND THE HOTEL

The principal activity of Tin Fok is the ownership and operation of the hotel known as "Hotel Fortuna". The Hotel, a 20-storey three star hotel with 342 guest rooms, plus two mezzanine floors, opened in 1992 and is situated on the southern side of Praça De D. Afonso Henriques at its junction with Rua De Cantao and Rua De Foshan in Macau (i.e. in close proximity to the first Macau-Taipa Bridge) with the total gross floor area of approximately 22,446 square metres (or equivalent to 241,609 square feet).

Tin Fok manages the hotel rooms and provision of food and beverages services in the Hotel, and leases out portions of the Hotel for rental to Independent Third Parties, which currently operate a casino, a night club and a sauna respectively. Save for the rental agreement with the casino operator, Tin Fok is not involved directly in the operation of the casino.

According to the audited financial statements of Tin Fok prepared using generally accepted accounting principles in Hong Kong for the two years ended 31 December 2004, Tin Fok recorded a turnover of approximately HK\$77.7 million and approximately HK\$55.3 million respectively, profit before taxation of approximately HK\$20.9 million and approximately HK\$6.2 million respectively and profit after taxation of approximately HK\$20.5 million and approximately HK\$5.5 million respectively. As at 31 December 2004, total assets of Tin Fok were approximately HK\$281.9 million, its total liabilities were approximately HK\$331.0 million and its net liabilities were approximately HK\$49.1 million.

According to the unaudited management accounts of Tin Fok for the eight months ended 31 August 2005, it recorded a turnover of approximately MOP83.6 million (approximately HK\$81.2 million) and profit before taxation of approximately MOP32.2 million (approximately HK\$31.3 million). As at 31 August 2005, Tin Fok recorded net liabilities of approximately MOP18.4 million (approximately HK\$17.9 million).

4. REASONS FOR AND BENEFITS OF THE ACQUISITION

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

Based on statistics published by the Statistics and Census Bureau of the Macau government, in 2004 Macau recorded a total of approximately 16.67 million visitor arrivals which represented an increase of 40.2% with 11.89 million recorded in 2003. For the first half of 2005, visitor arrivals reached 8.9 million, up 15.4% compared to the same period of the previous year, and the tourism receipts were estimated to be MOP12.6 billion for the first half of 2005, an increase of 8% year-on-year. Given the prospects of the tourism industry, the Directors are optimistic on the growth potential for the hotel industry in Macau.

LETTER FROM THE BOARD

In addition, pursuant to the Agreement, the Vendor undertakes and guarantees to the Purchaser that in respect of the two financial years ending 31 December 2006 and 31 December 2007, Tin Fok shall pay a dividend of an aggregate sum of no less than HK\$3,600,000 per financial year, representing a 6% annual return of the total investment of HK\$60 million, which the Directors believe that the Acquisition will contribute a steady income to the earnings base of the Group.

Despite the fact that Tin Fok had net liabilities of approximately HK\$49.1 million as at 31 December 2004, taking into account (i) the future prospects and growth potential for the hotel and tourism industry in Macau; (ii) the financial information of Tin Fok for the eight months ended 31 August 2005; (iii) the Guaranteed Dividend will enable the Company to enjoy a steady income enhancing the earnings base of the Group; 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 Agreement is in the interests of the Company and the Shareholders as a whole and the terms of the Agreement, including the Consideration, are fair and reasonable.

The investment in Tin Fok will be accounted for as an investment in securities. Accordingly, assets and liabilities of Tin Fok will not be consolidated into the Company's consolidated financial statements.

5. GENERAL

The Acquisition constitutes a disclosable transaction for the Company under Rule 14.06(2) of the Listing Rules. Your attention is also drawn to the additional information set out in the appendix to this circular.

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

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(i) Interests of Directors

As the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange were as follows:

Ordinary shares of HK\$0.20 each

Name of Director	Capacity	Number of issued Shares (long position)	Percentage of existing issued share capital of the Company
Chu Nin Yiu, Stephen	Interest in controlled corporation (<i>Note</i>)	214,966,000	16.23

Note:

Mr. Chu Nin Yiu, Stephen is the executive chairman of the Company. The 214,966,000 Shares are beneficially owned by Supervalue Holdings Limited whose interest has been shown in the sub-section headed "Interests of Shareholders discloseable pursuant to the SFO" below, which in turn is wholly-owned by Mr. Chu Nin Yiu, Stephen.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules. Save as disclosed above, as at the Latest Practicable Date, none of the Directors is a director or employee of a company which had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO).

Share option scheme and options

The Company has adopted an option scheme of the Company at a general meeting of the Shareholders held on 30 December 2002.

As at the Latest Practicable Date, there were 1,365,000 outstanding options which are exercisable at any time on or before 5 January 2006.

(ii) Interests of Shareholders discloseable pursuant to the SFO

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in Shares

Name of Shareholder	Capacity	Number of issued Shares held	Percentage of existing issued share capital of the Company
Supervalue Holdings Limited (Note 1)	Beneficial owner	214,966,000	16.23
Mark Profit Development Limited (Note 2)	Beneficial owner	166,430,500	12.56
Easyknit Properties Holdings Limited (Note 2)	Interest in controlled corporation	166,430,500	12.56
Easyknit International Holdings Limited (Note 2)	Interest in controlled corporation	166,430,500	12.56
Magical Profits Limited (Note 2)	Interest in controlled corporation	166,430,500	12.56
Accumulate More Profits Limited (Note 2)	Interest in controlled corporation	166,430,500	12.56
Trustcorp Limited (Note 2)	Trustee	166,430,500	12.56
Lui Yuk Chu (Note 2)	Beneficiary of a trust	166,430,500	12.56
Koon Wing Yee (Note 2)	Spouse	166,430,500	12.56

Name of Shareholder	Capacity	Number of issued Shares held	Percentage of existing issued share capital of the Company
Finnex Limited (Note 3)	Beneficial owner	117,406,235	8.86
Impetus Holdings Limited (Note 3)	Interest in controlled corporation	117,406,235	8.86
Asia Orient Company Limited (Note 3)	Interest in controlled corporation	117,406,235	8.86
Asia Orient Holdings (BVI) Limited (Note 3)	Interest in controlled corporation	117,406,235	8.86
Asia Orient Holdings Limited (Note 3)	Interest in controlled corporation	117,406,235	8.86
Poon Jing (Note 3)	Interest in controlled corporation	117,406,235	8.86

Notes:

1. The 214,966,000 Shares are beneficially owned by Supervalue Holdings Limited, which in turn is wholly-owned by Mr. Chu Nin Yiu, Stephen.
2. The 166,430,500 Shares are beneficially owned by Mark Profit Development Limited, a wholly-owned subsidiary of Easyknit Properties Holdings Limited which is in turn wholly-owned by Easyknit International Holdings Limited. Easyknit International Holdings Limited is owned as to approximately 36.74% by Magical Profits Limited, a wholly-owned subsidiary of Accumulate More Profits Limited which is in turn wholly-owned by Trustcorp Limited. Trustcorp Limited is the trustee of The Magical 2000 Trust, the beneficiaries of which include Ms. Lui Yuk Chu and her family members other than spouse. Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu, is deemed to be interested in the 166,430,500 Shares under the SFO.
3. The 117,406,235 Shares are beneficially owned by Finnex Limited, a wholly-owned subsidiary of Impetus Holdings Limited which is in turn wholly-owned by Asia Orient Company Limited. Asia Orient Company Limited is a wholly-owned subsidiary of Asia Orient Holdings (BVI) Limited, which is in turn wholly-owned by Asia Orient Holdings Limited. As Mr. Poon Jing is interested in approximately 32.11% of Asia Orient Holdings Limited, he is deemed to be interested in the 117,406,235 Shares under the SFO.

3. SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group as at the Latest Practicable Date:

Ordinary shares of HK\$0.20 each

Name of substantial Shareholder	Capacity	Number of issued Shares (long position)	Percentage of existing issued share capital of the Company
Supervalue Holdings Limited <i>(Note 1)</i>	Beneficial owner	214,966,000	16.23
Mark Profit Development Limited <i>(Note 2)</i>	Beneficial owner	166,430,500	12.56
Easyknit Properties Holdings Limited <i>(Note 2)</i>	Interest in controlled corporation	166,430,500	12.56
Easyknit International Holdings Limited <i>(Note 2)</i>	Interest in controlled corporation	166,430,500	12.56
Magical Profits Limited <i>(Note 2)</i>	Interest in controlled corporation	166,430,500	12.56
Accumulate More Profits Limited <i>(Note 2)</i>	Interest in controlled corporation	166,430,500	12.56
Trustcorp Limited <i>(Note 2)</i>	Trustee	166,430,500	12.56
Lui Yuk Chu <i>(Note 2)</i>	Beneficiary of a trust	166,430,500	12.56
Koon Wing Yee <i>(Note 2)</i>	Spouse	166,430,500	12.56

Notes:

1. *The 214,966,000 Shares are beneficially owned by Supervalue Holdings Limited, which in turn is wholly-owned by Mr. Chu Nin Yiu, Stephen.*
2. *The 166,430,500 Shares are beneficially owned by Mark Profit Development Limited, a wholly-owned subsidiary of Easyknit Properties Holdings Limited which is in turn wholly-owned by Easyknit International Holdings Limited. Easyknit International Holdings Limited is owned as to approximately 36.74% by Magical Profits Limited, a wholly-owned subsidiary of Accumulate More Profits Limited which is in turn wholly-owned by Trustcorp Limited. Trustcorp Limited is the trustee of The Magical 2000 Trust, the beneficiaries of which include Ms. Lui Yuk Chu and her family members other than spouse. Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu, is deemed to be interested in the 166,430,500 Shares under the SFO.*

Save as disclosed above, the Directors or chief executive of the Company are not aware that there are any other persons (not being a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group, or any options in respect of such capital.

4. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or claim of material importance and, so far as the Directors were aware, no litigation or claim of material importance was pending or threatened against the Company or any of its subsidiaries.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any member of the Group which is not expiring or terminable by the Group within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest in businesses, which are considered to compete or are likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

7. MISCELLANEOUS

- (a) The secretary and qualified accountant of the Company is Mr. Hung Yat Ming, CPA,CA.
- (b) The registered office of the Company is at Unit 1901, 19th Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.
- (c) The share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) In the event of inconsistency, the English text of this circular will prevail over the Chinese text.