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If you have sold or transferred all your shares in **Capital Estate Limited**, you should at once hand this circular to the purchaser or transferee or the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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**

Financial Adviser to the Company



CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	4
APPENDIX — GENERAL INFORMATION	12

DEFINITIONS

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

“1st Acquisition”	the acquisition of 49% of the issued quota capital of Sun Fat from the Vendor by Tamulus pursuant to the 1st Agreement
“2nd Acquisition”	the proposed acquisition of 50% of the issued quota capital of Sun Fat from the Vendor by the Purchaser pursuant to the 2nd Agreement
“Aggregate Acquisition”	the 1st Acquisition and the 2nd Acquisition
“1st Agreement”	the sale and purchase agreement dated 13 June 2007 made between Tamulus, the Vendor and the Warrantors in relation to the 1st Acquisition
“2nd Agreement”	the sale and purchase agreement dated 5 October 2007 made between the Purchaser, Tamulus, the Vendor and the Warrantors in relation to the 2nd 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 2nd Agreement
“connected persons”	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 2nd 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

DEFINITIONS

“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)
“Latest Practicable Date”	24 October 2007, being the latest practicable date prior to printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“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 circular excludes Hong Kong, Macau and Taiwan
“Sale Quota”	quota representing in aggregate 50% of the issued quota capital of Sun Fat

DEFINITIONS

“Shares(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 1st 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
“%”	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)

Execution Directors:

Mr. Chu Nin Yiu, Stephen (*Executive Chairman*)

Mr. Chu Nin Wai, David (*Deputy Chairman*)

Mr. Lau Chi Kan, Michael

Independent non-executive Directors:

Mr. Li Sze Kuen, Billy

Mr. Wong Kwong Fat

Mr. Leung Kam Fai

Registered office:

Unit 1901, 19th Floor

Asia Orient Tower, Town Place

33 Lockhart Road

Wanchai

Hong Kong

26 October 2007

To the Shareholders

Dear Sir/Madam,

**DISCLOSEABLE TRANSACTION
ACQUISITION OF FURTHER 50% OF
THE ISSUED QUOTA CAPITAL OF
SUN FAT INVESTMENT AND INDUSTRY COMPANY LIMITED**

1. INTRODUCTION

On 8 October 2007, the Board announced, among other things, that 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 total consideration of HK\$158.3 million. The principal asset of Sun Fat is its 100% ownership in the Land.

The 2nd Acquisition constitutes a discloseable transaction of the Company under the Listing Rules.

LETTER FROM THE BOARD

The purposes of this circular are to provide you with further information relating to the 2nd Acquisition and certain information required to be given to you under the Listing Rules.

2. 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, and the purchaser in the 1st Agreement
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 the 2nd Agreement, 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).

LETTER FROM THE BOARD

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. 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.

LETTER FROM THE BOARD

(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.

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.

LETTER FROM THE BOARD

3. 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;
- (d) a discount of approximately 15.48% to the closing price of HK\$0.168 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (e) 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\$215.0 million 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.

The Company has applied 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.

The issue of the Consideration Shares will not result in a change of control of the Company.

LETTER FROM THE BOARD

4. SHAREHOLDING STRUCTURE

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

Shareholders	As at the date of the 2nd Agreement		Immediately following the Completion	
	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>
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	<u>8,943,517,896</u>	<u>79.63</u>	<u>8,943,517,896</u>	<u>75.88</u>
	<u><u>11,231,896,896</u></u>	<u><u>100.00</u></u>	<u><u>11,786,896,896</u></u>	<u><u>100.00</u></u>

Notes:

1. The 2,288,379,000 Shares are beneficially owned by Supervalve Holdings Limited, which in turn is wholly-owned by Mr. Chu Nin Yiu, Stephen, the executive chairman and an executive director of the Company.
2. 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.

5. 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 Latest Practicable Date, 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.

LETTER FROM THE BOARD

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 Latest Practicable Date, the Company has no further commitment in relation to the Development Plan.

6. 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.

7. POSSIBLE FINANCIAL EFFECTS OF THE 2ND ACQUISITION ON THE GROUP

The consideration for the 2nd Acquisition of HK\$158,300,000 will be settled as to HK\$79,490,000 by cash from internal resources and as to the remaining balance of HK\$78,810,000 by issuance of the Consideration Shares at a price of HK\$0.142 per Consideration Share.

On the above basis, the total assets, capital and reserves of the Group are expected to increase immediately following the Completion as a result of the consolidation of the assets (mainly the Land) of Sun Fat into the Group's balance sheet (being partly offset by the payment of the cash portion of the consideration) and the issuance of the Consideration Shares. On the other hand, there will be no material impact on the total liabilities of the Group as a result of the 2nd Acquisition.

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.

LETTER FROM THE BOARD

8. 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.

9. GENERAL

Your attention is drawn to the statutory and general 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. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

Ordinary Shares

Authorised: HK\$

200,000,000,000 Shares of HK\$0.01 each	2,000,000,000
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Issued:

11,231,896,896 Shares of HK\$0.01 each	112,318,968.96
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All the issued Shares are fully paid and rank pari passu in all respects including the rights as to voting, dividends and return of capital.

3. DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company and their respective associates in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required 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 were taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Issuers and which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO were as follows:

Long position in the Shares

Name of Director	Capacity	Number of issued Shares held	Approximate percentage of existing issued share capital of the Company
Chu Nin Yiu, Stephen	Interest in controlled corporation (<i>Note</i>)	2,288,379,000	20.37

Note:

Mr. Chu Nin Yiu, Stephen, the executive chairman of the Company, is deemed to be interested in 2,288,379,000 Shares which are beneficially owned by Supervalue Holdings Limited, a company incorporated in the British Virgin Islands with limited liability.

Saved as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executives of the Company and their associates had any interests or short positions in any Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required 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 were taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Issuers and which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO.

(b) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as is known to the Directors or the chief executives 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 fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register maintained by the Company pursuant to Section 336 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 meetings of the Company or any other members of the Group:

Name	Capacity	Number of issued Shares held	Approximate percentage of existing issued share capital of the Company
Supervalue Holdings Limited (<i>Note</i>)	Beneficial owner	2,288,379,000	20.37

Note:

Supervalue Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by Mr. Chu Nin Yiu, Stephen, the executive chairman of the Company.

Save as disclosed above, the Directors or the chief executive of the Company were not aware that there was any person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares of the Company 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 was, 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 member of the Group.

4. SERVICE AGREEMENTS

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

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in, apart from the Group's business, any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. LITIGATION

Neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration or claims of material importance which is known to the Directors to be pending or threatened by or against either the Company or any of its subsidiaries as at the Latest Practicable Date.

7. GENERAL

- (a) The registered office of the Company is situated at Unit 1901, 19th Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.
- (b) 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, Wanchai, Hong Kong.
- (c) The secretary and qualified accountant of the Company is Mr. Hung Yat Ming, CPA, CA.
- (d) The English text of this circular shall prevail over their Chinese text in case of inconsistencies.