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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other licensed dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Capital Estate Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker 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)

PROPOSED DISPOSAL OF 25% INTEREST IN HOTEL FORTUNA (HONG KONG) COMPANY LIMITED BEING A MAJOR AND CONNECTED TRANSACTION

A notice convening the extraordinary general meeting of Capital Estate Limited to be held at Empire Room 1, 1/Floor, Empire Hotel Hong Kong Wanchai, 33 Hennessy Road, Wan Chai, Hong Kong at 3:00 p.m. on Monday, 8 April 2013 is set out on pages 47 to 49 of this circular.

If you are not able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the share registrars of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and, in any event, not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish.

18 March 2013

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	4
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	10
LETTER FROM INDEPENDENT FINANCIAL ADVISER	12
APPENDIX I – FINANCIAL INFORMATION OF THE GROUP	27
APPENDIX II – VALUATION REPORT	29
APPENDIX III – GENERAL INFORMATION	40
NOTICE OF EGM	47

DEFINITIONS

In this circular and the appendices to it, unless the context otherwise requires, the following expressions have the following meanings:

“associates”	has the meaning ascribed to it under the Listing Rules;
“Board”	board of Directors;
“Business Days”	a day (other than a Saturday or a Sunday) on which banks generally 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;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Consideration”	the aggregate consideration of HK\$150,000,000 for the Proposed Disposal;
“Director(s)”	director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be held at 3:00 p.m. on Monday, 8 April 2013 at Empire Room 1, 1/Floor, Empire Hotel Hong Kong Wanchai, 33 Hennessy Road, Wan Chai, Hong Kong for the purpose of considering and, if thought fit, approving, amongst other things, the terms of the Sale and Purchase Agreements, the Proposed Disposal and the transactions contemplated thereunder;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	a board committee comprising of the independent non-executive Directors constituted to make recommendations to the independent shareholders of the Company in respect of the Proposed Disposal;

DEFINITIONS

“Independent Financial Adviser”	Messis Capital Limited, a corporation licensed under the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO;
“Gao Wang”	Gao Wang Investments Limited (高旺投資有限公司), a company incorporated in the British Virgin Islands the entire issued capital of which is held by Mr. Lai;
“Gold Champion”	Gold Champion Investments Limited (金冠投資有限公司), a company incorporated in the British Virgin Islands the entire issued capital of which is held by Mr. Tang;
“Guarantors”	(i) Mr. Lai, being a guarantor of Gao Wang, and (ii) Mr. Tang, being a guarantor of Gold Champion, under the Sale and Purchase Agreements;
“Latest Practicable Date”	14 March 2013, the latest practicable date for ascertaining certain information for inclusion in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Lai”	Mr. Lai Kin Hak (黎堅克);
“Mr. Tang”	Mr. Tang Fung (鄧楓);
“PRC”	the People’s Republic of China;
“Proposed Disposal”	the proposed disposal of, in aggregate, 25% of the entire issued share capital of the Target Company and 25% of the Shareholder’s Loan by the Company to the Purchasers pursuant to the Sale and Purchase Agreements;
“Purchaser(s)”	Gao Wang and Gold Champion;

DEFINITIONS

“Sale and Purchase Agreement(s)”	the two sale and purchase agreements both dated 28 February 2013 entered into between the Company and (i) Gao Wang as purchaser and Mr. Lai as guarantor; and (ii) Gold Champion as purchaser and Mr. Tang as guarantor, respectively, in respect of the sale and purchase of, in aggregate, 25% of the entire issued share capital of the Target Company and 25% of the Shareholder’s Loan;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shareholders”	shareholders of the Company;
“Shareholder’s Loan”	the interest free shareholder’s loan outstanding and owing as at Completion by the Target Company to the Company, which shall be approximately HK\$518,504,440 in principal;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	Hotel Fortuna (Hong Kong) Company Limited, a company incorporated in Hong Kong with limited liability;
“Target Group”	the Target Company and its subsidiaries;
“Valuer”	American Appraisal China Limited, a professional property value; and
“%”	per cent.

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. Sio Tak Hong (*Chairman*)
Mr. Chu Nin Yiu, Stephen (*Chief Executive Officer*)
Mr. Chu Nin Wai, David (*Deputy Chairman*)
Mr. Lau Chi Kan, Michael

Registered office:

17th 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

18 March 2013

To the Shareholders

Dear Sir or Madam,

PROPOSED DISPOSAL OF 25% INTEREST IN HOTEL FORTUNA (HONG KONG) COMPANY LIMITED BEING A MAJOR AND CONNECTED TRANSACTION

We refer to the announcement of the Company dated 28 February 2013 in relation to proposed disposal under the two Sale and Purchase Agreements dated 28 February 2013 entered into between the Company and each of the Purchasers, pursuant to which the Company agreed to sell and the Purchasers agreed to purchase, an aggregate of 25% of the entire issued share capital of the Target Company and 25% of the Shareholder's Loan for a total consideration of HK\$150,000,000.

The purpose of this circular is to provide you with, among other things, (i) further details of the transactions contemplated under the Sale and Purchase Agreements; (ii) a letter from the Independent Board Committee with its recommendation to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders; (iv) financial information relating to the Group; and (v) the notice of the EGM.

LETTER FROM THE BOARD

THE SALE AND PURCHASE AGREEMENTS

On 28 February 2013 (after trading hours), the Company entered into the two Sale and Purchase Agreements in respect of the Proposed Disposal. The two Sale and Purchase Agreements are on substantially similar terms except for the identity of the Purchasers and the Guarantors. Set out below is a principal summary of certain terms and information relating to the Sale and Purchase Agreements and the transactions contemplated thereunder.

Date: 28 February 2013

Parties: Vendor: the Company

Purchasers: Gao Wang and Gold Champion, in respect of each Sale and Purchase Agreement.

Gao Wang is incorporated in the British Virgin Islands. To the best of the Directors' knowledge, information and belief, Gao Wang is principally engaged in investment holding and is wholly-owned by Mr. Lai.

Gold Champion is incorporated in the British Virgin Islands. To the best of the Directors' knowledge, information and belief, Gold Champion is principally engaged in investment holding and is wholly-owned by Mr. Tang.

Guarantors: Mr. Lai has guaranteed Gao Wang's obligations and Mr. Tang has guaranteed Gold Champion's obligations under their respective Sale and Purchase Agreement.

Interests to be disposed of:

- (i) an aggregate of 25% of the entire issued share capital of the Target Company, of which each of Gao Wang and Gold Champion agreed to acquire 12.5% of the entire issued share capital of the Target Company; and
- (ii) an aggregate of 25% of the Shareholder's Loan, of which each of Gao Wang and Gold Champion agreed to take up 12.5% of the Shareholder's Loan.

LETTER FROM THE BOARD

Consideration:

The aggregate Consideration for 25% of the entire issued share capital of the Target Company and 25% of the Shareholder's Loan is HK\$150,000,000, payable in cash at Completion. As to HK\$129,626,110 of the Consideration is ascribed to the disposal of an aggregate 25% of the Shareholder's Loan and the balance of the Consideration is ascribed to the disposal of an aggregate 25% of the entire issued share capital of the Target Company.

The amount of Consideration was determined after arm's length negotiations between the Company and each of the Purchasers after taking into account the unaudited consolidated net liabilities of the Target Group as at 31 July 2012 in the amount of HK\$100,188,000, the Shareholder's Loan as at 31 January 2013 in the amount of HK\$518,504,000 and the preliminary valuation of the properties of the Target Group as at 31 January 2013 in the amount of HK\$721,480,000 as estimated by an independent valuer.

Conditions precedent:

Completion is conditional upon the passing by the requisite majority of the shareholders of the Company who are permitted to vote in the EGM of resolutions to approve the Sale and Purchase Agreements and the transactions contemplated hereunder.

If the above condition is not satisfied on or before 30 June 2013 or such later date as the Company and the respective Purchaser may agree, the Sale and Purchase Agreement will lapse in which case none of the parties thereto shall have any claim against the other party for costs, damages, compensation or otherwise, save in respect of any antecedent breaches.

Completion:

Completion will take place on the third Business Day or such other day as agreed between the Company and the respective Purchaser following the fulfilment of all conditions precedent to the Sale and Purchase Agreement.

Upon completion of both Sale and Purchase Agreements, the issued share capital of the Target Company will be held as to 75% by the Company, 12.5% by Gao Wang and 12.5% by Gold Champion. If only one of the Sale and Purchase Agreements proceeds to completion, the issued share capital of the Target Company will be held as to 87.5% by the Company and 12.5% by the Purchaser. In either circumstances, the Target Company is expected to continue to be a subsidiary of the Company following completion of the Proposed Disposal.

LETTER FROM THE BOARD

INFORMATION OF THE TARGET GROUP

The principal asset held by the Target Group is Hotel Fortuna (佛山市財神酒店), a hotel situated at Le Cong Zhen, Shun De District, Foshan, Guangdong Province, the PRC, which offers more than 400 guest rooms, lounge, restaurants, multi-function rooms and fitness centre.

According to the unaudited consolidated accounts of the Target Group as at 31 July 2012, the total assets of the Target Group were approximately HK\$633.4 million, its total liabilities were approximately HK\$733.6 million and its net liabilities were approximately HK\$100.2 million.

Set out below is financial information of the Target Group based on its unaudited consolidated financial statements for the years ended 31 July 2011 and 31 July 2012:–

	For the year ended 31 July 2011 Unaudited (HK\$'000)	For the year ended 31 July 2012 Unaudited (HK\$'000)
Loss before taxation	29,199	93,603
Loss after taxation	26,915	91,311

Note: The loss for the year ended 31 July 2012 included the write-off of the carrying amount of certain old building and facilities at the site of Hotel Fortuna, Foshan amounting to HK\$65.3 million. The old building was demolished for further development according to plan.

FINANCIAL EFFECT OF THE PROPOSED DISPOSAL

As a result of the Proposed Disposal, based on the audited consolidated financial statements of the Company for the year ended 31 July 2012, it is expected that the total assets of the Group would increase from approximately HK\$1,208 million to approximately HK\$1,357 million, the total liabilities of the Group would increase from approximately HK\$281 million to approximately HK\$410 million. As the Target Company is expected to continue to be a subsidiary of the Company following completion of the Proposed Disposal, save that the loss for the year attributable to owners of the Company would decrease from approximately HK\$120.3 million to approximately HK\$97.5 million, no financial effect of the Proposed Disposal on the earnings of the Group is expected.

REASONS FOR AND BENEFITS OF THE PROPOSED DISPOSAL AND USE OF PROCEEDS

The Group is principally engaged in property investment and development, hotel operation, financial investment and related activities. The Guarantors (who in turn hold the entire issued share capital of the respective Purchasers) are directors of the PRC subsidiary of the Target Group. They have been operating Hotel Fortuna in Foshan and have valuable experience in property development and vast business network, especially in the PRC.

LETTER FROM THE BOARD

The Group has been committed to the full utilization of the undeveloped permissible plot ratio counted gross floor area at Hotel Fortuna, Foshan of approximately 62,000 square meter by the construction of new residential buildings for sale according to plan with a view to maximize shareholders' return. The Proposed Disposal is expected to align the interests of the Purchasers and the Guarantors with the interests of the Group. By holding equity interest in the Target Company, it provides incentive to the Purchasers and the Guarantors to actively participate in the above property development project and work towards achieving the goal of the Group.

In addition, the Directors consider that the Proposed Disposal will provide additional funding without high interest costs to the Group's development, especially for the above property development in Foshan. It is currently intended that the proceeds from the Proposed Disposal will be used for future business development and capital expenditure, including the planned construction of new high-rise residential buildings and ancillary facilities of a total gross floor area of about 86,290.19 sq.m. at the site of Hotel Fortuna, Foshan, and general working capital. The Company is in the process of obtaining approvals from various government authorities in the PRC for such planned construction.

Based on the unaudited consolidated accounts of the Target Group as at 31 July 2012, the Group is expected to derive an estimated gain of approximately HK\$46 million from the Proposed Disposal, which is derived from the Consideration plus the net liabilities attributable to the 25% interest in the Target Group as at 31 July 2012 (approximately HK\$25.1 million) and less 25% of the shareholder's loan owed by the Target Company to the Company as at 31 July 2012 (approximately HK\$128.2 million) and all related expenses (approximately HK\$0.9 million).

Based on the factors mentioned above, the Board are of the view that the terms of each of the Sale and Purchase Agreements are fair and reasonable and are on normal commercial terms and that the Proposed Disposal is in the interest of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

Mr. Lai is a director of the Target Company and its wholly-owned subsidiary. He is also a director of two non-wholly owned subsidiaries of the Company, New Fortune Environmental Protection Limited and Jiangmen New Fortune Holdings Co. Limited. Mr. Tang is a director of the wholly-owned subsidiary of the Target Company. As the entire issued share capital of the Purchasers are held by directors of subsidiaries of the Group and the Target Group, the Purchasers are associates of the connected person of the Company and the Proposed Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to reporting and announcement requirements and approval of the independent Shareholders. As certain of the applicable percentage ratios exceed 25% but are less than 75%, the Proposed Disposal also constitutes a major transaction for the Company under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no existing shareholders of the Company has a material interest in the Proposed Disposal as at the Latest Practicable Date. Accordingly, no Shareholder is required to abstain from voting on the relevant resolution(s) to approve the Sale and Purchase Agreements and the transactions contemplated thereunder at the EGM. As at the Latest Practicable Date, neither Mr. Lai nor Mr. Tang held any shares in the Company. The Purchasers and their respective associates, being the connected persons of the Company with a material interest in the Proposed Disposal, to the extent they hold any Shares in the Company, will be required to abstain from voting at the EGM.

None of the Directors has a material interest in the Proposed Disposal and no Director was required to abstain from voting in the resolutions approving the Sale and Purchase Agreements and the transactions contemplated thereunder at the relevant meeting of the Board.

EGM

A notice convening the EGM to be held at Empire Room 1, 1/Floor, Empire Hotel Hong Kong Wanchai, 33 Hennessy Road, Wan Chai, Hong Kong at 3:00 p.m. on Monday, 8 April 2013 is set out on pages 47 to 49 of this circular.

A form of proxy for use at the EGM is enclosed. If you are not able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the share registrars of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and, in any event, not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish.

RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the view that the terms of the Sale and Purchase Agreements are fair and reasonable and in the interests of the Group and the Shareholders as a whole. Accordingly, the Directors recommend all Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM regarding the Proposed Disposal.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices of this circular and the notice of the EGM.

Yours faithfully,
By order of the Board of
CAPITAL ESTATE LIMITED
Sio Tak Hong
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



CAPITAL ESTATE LIMITED 冠中地產有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 193)

18 March 2013

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED DISPOSAL OF 25% INTEREST IN HOTEL FORTUNA (HONG KONG) COMPANY LIMITED BEING A MAJOR AND CONNECTED TRANSACTION

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders of the Company in respect of the resolutions to approve the Proposed Disposal, details of which are set out in the “Letter from the Board” contained in the circular of the Company (the “Circular”) of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

Your attention is drawn to the “Letter from the Board”, the letter of advice from Messis Capital Limited in its capacity as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of whether the terms of the Sale and Purchase Agreements are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders of the Company as a whole, as set out in the “Letter from the Independent Financial Adviser” as well as other additional information set out in other parts of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the advice of, and the principal factors and reasons considered by the Independent Financial Adviser in relation thereto as stated in its letter, we consider that the terms of the Sale and Purchase Agreements are fair and reasonable so far as the Independent Shareholders are concerned and the Proposed Disposal is in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM in respect of the Proposed Disposal.

Yours faithfully,

Independent Board Committee

Mr. Li Sze Kuen, Billy, Mr. Wong Kwong Fat and Mr. Leung Kam Fai

Independent Non-executive Directors

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter from Messis in connection with the advice to the Independent Board Committee and the Independent Shareholders in relation to the Proposed Disposal and the terms of the Sale and Purchase Agreements, which has been prepared for the purpose of inclusion in the circular of the Company dated 18 March 2013:



大有融資有限公司
MESSIS CAPITAL LIMITED

18 March 2013

*To the Independent Board Committee and
the Independent Shareholders of the Company*

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION PROPOSED DISPOSAL OF 25% INTEREST IN HOTEL FORTUNA (HONG KONG) COMPANY LIMITED

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of whether the Proposed Disposal is in the interests of the Company and the Shareholders as a whole and whether the terms of the Sale and Purchase Agreements are fair and reasonable so far as the Independent Shareholders are concerned, details of which are set out in the letter from the Board (the “Board Letter”) contained in the circular of the Company dated 18 March 2013 (the “Circular”) of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context of this letter otherwise requires.

Reference is made to the announcement of the Company dated 28 February 2013 in relation to the Proposed Disposal under the two Sale and Purchase Agreements dated 28 February 2013 entered into between the Company and each of the Purchasers, pursuant to which the Company agreed to sell and the Purchasers agreed to purchase, an aggregate of 25% of the entire issued share capital of the Target Company and 25% of the Shareholder’s Loan for a total consideration of HK\$150,000,000.

As the entire issued share capital of the Purchasers are held by directors of certain subsidiaries of the Group and the Target Group, the Purchasers are associates of the connected person of the Company and the Proposed Disposal constitutes a connected transaction for the Company under the Listing Rules and is subject to approval of the Independent Shareholders.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no existing shareholders of the Company has a material interest in the Proposed Disposal. Accordingly, no Shareholder is required to abstain from voting on the relevant resolution(s) to approve the Sale and Purchase Agreements and the transactions contemplated thereunder at the EGM. The Purchasers and their respective associates, being the connected persons of the Company with a material interest in the Proposed Disposal, to the extent they hold any Shares in the Company, will be required to abstain from voting at the EGM.

In formulating our opinion, we have relied on the accuracy of statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company and which the Directors consider to be complete and relevant, and have assumed that the statements made were true, accurate and complete at the time they were made and continue to be true on the date of the Circular. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information, representations and opinions which have been provided by the Company are true at the time they were made and will continue to be true at the date of the despatch of the Circular.

We consider that we have received sufficient information to enable us to reach an informed view and to justify our reliance on the accuracy of the information and representations contained in the Circular and to provide a reasonable basis for our view and recommendation. We have no reason to suspect that any material information has been withheld by the Company or by the Directors. We have not, however, carried out any independent investigation into the business and affairs of the Company. However, we have taken all reasonable steps pursuant to Rule 13.80 of the Listing Rules which include the following:

- (a) obtained the information and documents relevant to an assessment of the fairness and reasonableness of the Proposed Disposal, including but not limited to, the Board Letter, the Sale and Purchase Agreements, the valuation report prepared by American Appraisal China Limited (the “Independent Valuer”) dated 18 March 2013 (the “Valuation Report”), the circular of the Company dated 28 March 2008 and the annual reports of the Company for the financial years ended 31 July 2009, 2010, 2011 and 2012;
- (b) research the relevant market and other conditions and trends relevant to the pricing of the transaction;
- (c) reviewed the fairness, reasonableness and completeness of the assumptions stated in the Valuation Report; and

LETTER FROM INDEPENDENT FINANCIAL ADVISER

- (d) without limiting the generality of paragraph (c) above, in relation to the Independent Valuer providing an opinion and valuation relevant to the Proposed Disposal:
 - (i) interviewed the Independent Valuer and reviewed the Valuation Report including as to the expertise of the Valuer and any current or prior relationships with the issuer, other parties to the transaction and connected persons of either the issuer or another party to Proposed Disposal;
 - (ii) reviewed the terms of engagements of the Independent Valuer as set out in the engagement letter and stated in the Valuation Report (having particular regard to the scope of work, whether the scope of work is appropriate to the opinion required to be given and any limitations on the scope of work which might adversely impact on the degree of assurance given by the Valuation Report, opinion or statement); and
 - (iii) confirmed that we are not aware that the Company or another party to the Proposed Disposal has made formal or informal representations to the Independent Valuer affecting the professional independent opinion of the Independent Valuer
- (e) confirmed with the Board that there is no relevant alternative offer made for the same asset and rejected by the Board.

In arriving at our opinion and recommendations to the Independent Board Committee and the Independent Shareholders in respect of whether the terms of the Sale and Purchase Agreements are fair and reasonable and whether entering into of the Sale and Purchase Agreements is in the interests of the Company and the Shareholders as a whole, we have considered the principal factors and reasons set out below:

REASONS FOR AND BENEFITS OF THE PROPOSED DISPOSAL AND USE OF PROCEEDS

The Group is principally engaged in property investment and development, hotel operation, financial investment and related activities. The Guarantors (who in turn hold the entire issued share capital of the respective Purchasers) are directors of the PRC subsidiary of the Target Group. They have been operating Hotel Fortuna in Foshan and have valuable experience in property development and vast business network, especially in the PRC.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The Group has been committed to the full utilization of the undeveloped permissible plot ratio counted gross floor area at Hotel Fortuna, Foshan of approximately 62,000 square meter by the construction of new residential buildings for sale according to plan with a view to maximize shareholders' return. The Proposed Disposal is expected to align the interests of the Purchasers and the Guarantors with the interests of the Group. By holding equity interest in the Target Company, it provides incentive to the Purchasers and the Guarantors to actively participate in the above property development project and work towards achieving the goal of the Group.

In addition, the Directors consider that the Proposed Disposal will provide additional funding without high interest costs to the Group's development, especially for the above property development in Foshan. It is currently intended that the proceeds from the Proposed Disposal will be used for future business development and capital expenditure, including the planned construction of new high-rise residential buildings and ancillary facilities of a total gross floor area of about 86,290 sq.m. at the site of Hotel Fortuna, Foshan, and general working capital. The Company is in the process of obtaining approvals from various government authorities in the PRC for such planned construction.

Based on the unaudited consolidated accounts of the Target Group as at 31 July 2012, the Group is expected to derive an estimated gain of approximately HK\$46 million from the Proposed Disposal, which is derived from the Consideration plus the liabilities value attributable to the 25% interest in the Target Group as at 31 July 2012 (approximately HK\$25.1 million) and less 25% the Shareholder's Loan owed by the target Company to the Company as at 31 July 2012 (approximately HK\$128.2 million) and all related expenses (approximately HK\$0.9 million).

As stated above, (i) the Directors consider that the Proposed Disposal will provide additional funding to the Group's development, especially for the above property development in Foshan; (ii) the proceeds from the Proposed Disposal is intended to be used for future business development and capital expenditure and general working capital, which is in line with the principal business activities of the Group; and (iii) the full utilization of the undeveloped permissible gross floor area at Hotel Fortuna by the construction of new residential buildings for sale according to plan may increase shareholders' return. Accordingly, we are of the view that the Proposed Disposal (i) to provide additional funding for property development, future business development, capital expenditure and general working capital; and (ii) to fully utilize the undeveloped floor area at Hotel Fortuna to increase shareholders' return; is in the interest of the Company and the Shareholders as a whole as well as within the ordinary course of business of the Group.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

INFORMATION ON THE TARGET GROUP

The principal asset held by the Target Group is Hotel Fortuna, a hotel situated at Le Cong Zhen, Shun De District, Foshan, Guangdong Province, the PRC, which offers more than 400 guest rooms, lounge, restaurants, multi-function rooms and fitness centre.

According to the unaudited consolidated accounts of the Target Group as at 31 July 2012, the total assets of the Target Group were approximately HK\$633.4 million, its total liabilities were approximately HK\$733.6 million and its net liabilities were approximately HK\$100.2 million.

Set out below is financial information of the Target Group based on its unaudited consolidated financial statements for the years ended 31 July 2011 and 31 July 2012:–

	For the year ended 31 July 2011 Unaudited (HK\$'000)	For the year ended 31 July 2012 Unaudited (HK\$'000)
Loss before taxation	29,199	93,603
Loss after taxation	26,915	91,311

Note: The loss for the year ended 31 July 2012 included the write-off of the carrying amount of certain old building and facilities at the site of Hotel Fortuna, Foshan amounting to HK\$65.3 million. The old building was demolished for further development according to plan.

THE SALE AND PURCHASE AGREEMENTS

On 28 February 2013 (after trading hours), the Company entered into the two Sale and Purchase Agreements in respect of the Proposed Disposal. The two Sale and Purchase Agreements are on substantially similar terms except for the identity of the Purchasers and the Guarantors. Set out below is a principal summary of certain terms and information relating to the Sale and Purchase Agreements and the transactions contemplated thereunder.

Date: 28 February 2013

Parties: Vendor: the Company

Purchasers: Gao Wang and Gold Champion, in respect of each Sale and Purchase Agreement.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Gold Wang is incorporated in the British Virgin Islands. To the best of the Directors' knowledge, information and belief, Gold Wang is principally engaged in investment holding and the entire issued share capital of which is held by Mr. Lai.

Gold Champion is incorporated in the British Virgin Islands. To the best of the Directors' knowledge, information and belief, Gold Champion is principally engaged in investment holding and the entire issued share capital of which is held by Mr. Tang.

Guarantors: Mr. Lai has guaranteed Gao Wang's obligations and Mr. Tang has guaranteed Gold Champion's obligations under their respective Sale and Purchase Agreement.

**Interests to be
disposed of:**

- (i) an aggregate of 25% of the entire issued share capital of the Target Company, of which each of Gao Wang and Gold Champion agreed to acquire 12.5% of the entire issued share capital of the Target Company; and
- (ii) an aggregate of 25% of the Shareholder's Loan, of which each of Gao Wang and Gold Champion agreed to take up 12.5% of the Shareholder's Loan.

Consideration:

The aggregate Consideration for 25% of the entire issued share capital of the Target Company and 25% of the Shareholder's Loan is HK\$150,000,000, payable in cash at Completion. As to HK\$129,626,110 of the Consideration is ascribed to the disposal of an aggregate 25% of the Shareholder's Loan and the balance of the Consideration is ascribed to the disposal of an aggregate 25% of the entire issued share capital of the Target Company.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The amount of Consideration was determined after arm's length negotiations between the Company and each of the Purchasers after taking into account the unaudited consolidated net liabilities of the Target Group as at 31 July 2012 in the amount of HK\$100,188,000, the Shareholder's Loan as at 31 January 2013 in the amount of HK\$518,504,000 and the preliminary valuation amount of the properties of the Target Group as at 31 January 2013 in the amount of HK\$721,480,000 as estimated by an independent valuer.

Conditions precedent: Completion is conditional upon the passing by the requisite majority of the Shareholders of the Company who are permitted to vote in the EGM of resolutions to approve the Sale and Purchase Agreements and the transactions contemplated hereunder.

If the above condition is not satisfied on or before 30 June 2013 or such later date as the Company and the respective Purchaser may agree, the Sale and Purchase Agreement will lapse in which case none of the parties thereto shall have any claim against the other party for costs, damages, compensation or otherwise, save in respect of any antecedent breaches.

Completion: Completion will take place on the third Business Day or such other day as agreed between the Company and the respective Purchaser following the fulfilment of all conditions precedent to the Sale and Purchase Agreement.

Upon completion of both Sale and Purchase Agreements, the issued share capital of the Target Company will be held as to 75% by the Company, 12.5% by Gao Wang and 12.5% by Gold Champion. If only one of the Sale and Purchase Agreements proceeds to Completion, the issued share capital of the Target Company will be held as to 87.5% by the Company and 12.5% by the Purchaser. In either circumstances, the Target Company is expected to continue to be a subsidiary of the Company following completion of the Proposed Disposal.

We have reviewed all the terms of the Sale and Purchase Agreements and note that there is no extra-ordinary terms or less favourable terms to the Company in the Sale and Purchase Agreements. We are of the view that the entering into the Sale and Purchase Agreements are on normal commercial terms.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

THE VALUATION

Pursuant to Note 1 (d) to Rule 13.80 of the Listing Rules, we have, without limiting the generality of the fairness, reasonableness and completeness of the assumptions stated in the Valuation Report, in relation to the Independent Valuer providing an opinion and valuation relevant to the Proposed Disposal:

- (i) *interviewed the Independent Valuer and reviewed the Valuation Report including as to the expertise of the Valuer and any current or prior relationships with the issuer, other parties to the transaction and connected persons of either the issuer or another party to Proposed Disposal;*

We have reviewed the company profile of the Independent Valuer and the personal profile of Mr. Eric M.H. Poon provided by the Independent Valuer which set out that (i) the Independent Valuer offers a comprehensive range of valuation services for listed companies, including the valuations of commercial and office complexes, industrial facilities, residential properties, investment and development consulting, land administration, non-performing loan (NPL) property valuation and other statutory valuations, disputes on land compensation and other advisory services; and (ii) Mr. Eric M.H. Poon, the Assistant Vice President of the Independent Valuer, is a MHKIS, MRICS, RPS(GP), CIREA, CFA with extensive experience in valuation of properties in Hong Kong, the PRC and the overseas for tens of listed company in Hong Kong and the PRC.

The Independent Valuer stated in the Valuation Report that they had complied with all the requirements contained in Paragraph 34(2), (3) of Schedule 3 of the Companies Ordinance (Cap. 32), Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors. They also certified that they had neither present nor a prospective interest in the property interest or the value reported.

- (ii) *reviewed the terms of engagements of the Independent Valuer set out in the engagement letter and stated in the Valuation Report (having particular regard to the scope of work, whether the scope of work is appropriate to the opinion required to be given and any limitations on the scope of work which might adversely impact on the degree of assurance given by the Valuation Report, opinion or statement);*

In accordance with the instructions from the Group to value Hotel Fortuna, the principal asset held by the Target Group, (the “Property”), the Independent Valuer confirmed that they had carried out inspection for the property interests, made relevant enquiries and obtained such further information as they considered necessary for the purpose of providing their opinion of the market value of such property interests as at 31 January 2013 (the “date of valuation”).

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The scope of work of the Independent Valuer set out in its engagement letter is in accordance with the relevant guidelines set forth by the Hong Kong Institute of Surveyors, including but not limited to the arrangement of site inspection and information collection, the collection of market information for the purpose of completing the task, the preparation of a report in accordance with the requirements of the Listing Rules and the Companies Ordinance, the preparation of valuation certificates in an appropriate form for the purpose of the Group, the preparation of valuation certificates in an appropriate form for the purpose of the Group and Other customary matters undertaken for the public documentation in Hong Kong and/or for completion of this assignment. We are of the view that the scope of work is appropriate to form an opinion without adverse impact on the degree of assurance given by the Valuation Report.

- (iii) *confirmed that we are not aware that the Company or another party to the Proposed Disposal has made formal or informal representations to the Independent Valuer affecting the professional independent opinion of the Independent Valuer*

Basis of valuation

The Independent Valuer stated in the Valuation Report that:

“Our valuation is our opinion of the Market Value which is defined in accordance with the HKIS Valuation Standards of the Hong Kong Institute of Surveyors to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Market Value is understood as the value of an asset and liability estimated without regard to costs of sale or purchases (or transaction) and without offset for any associated taxes or potential taxes.

This estimate specifically excludes an estimated price inflated or deflated by special considerations or concessions granted by anyone associated with the sale, or any element of special value”.

We are of the view that Market Value (as defined in accordance with the HKIS Valuation Standards of the Hong Kong Institute of Surveyors) is the most appropriate basis of valuation when sufficient and appropriate market comparables are available such as the number of comparables in this case.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Valuation methodology

The Independent Valuer stated that:

“The property interests held for development and were valued by direct comparison method where comparison based on prices realized on actual sales or market price information of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of the property interests in order to arrive at a fair comparison. We have also taken into account the incurred construction costs and the costs that will be incurred to complete the development to reflect the quality of the completed development”.

We have reviewed the comparable hotel transactions of the 5-star and sub 5-star hotels transactions in the first and second tier cities in China selected by the Independent Valuer for the last 2 years prior to the date of the Sale and Purchase Agreements (“Hotel Comparables”). We noted that the price per room of the Hotel Comparables ranged from approximately RMB647,000 per room to approximately RMB1,543,000 per room, with the mean price at approximately RMB1,100,000 per room. The capital value of Hotel Fortuna of RMB790,000 per room adopted in the valuation report is according to the Independent Valuer’s opinion that Hotel Fortuna is lower than the average class the Hotel Comparables. We have researched, to our best endeavor, the facilities and the locations of the Hotel Comparables and Hotel Fortuna. We are of the view that the average price per room of Hotel Fortuna adopted in the valuation report is fair and reasonable.

We have researched, to our best endeavour, the land transactions in Le Cong Zeng and the nearby districts in the last 2 years prior the date of the Sale and Purchase Agreements (Land Comparables”). According to the Land Comparables we identified, the unit price of commercial/residential land ranged from approximately RMB3,490 per square meter to approximately RMB4,870 per square meter, with the mean at approximately RMB3,960 per square meter. The estimated capital value per square meter of the Land of RMB3,980 per square meter adopted in the valuation report is very close to the average of the Land Comparables.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

We have researched, to our best endeavour, the residential property transactions in Le Cong Zeng and nearby districts in Foshan City within 2 months prior to the date of the Sale and Purchase Agreements (Residential Property Comparables”). According to the Residential Property Comparables we identified, the unit price of residential property ranged from approximately RMB6,700 per square meter to approximately RMB7,940 per square meter, with the mean at approximately RMB7,280 per square meter. The estimated capital value of RMB2,400 per square meter adopted in the valuation report for part of Level 1 and entire Level 2 to Level 4 of staff quarter is a very substantial discount to the Residential Property Comparables. The Independent Valuer is of the opinion that the part of Level 1 and entire Level 2 to Level 4 are utilized for staff quarters which are not well furnished and the layout is designed for staff quarter use instead of standard residential unit.

Having (i) researched the relevant market comparables; (ii) reviewed the market comparables adopted by the Independent Valuer; and (iii) discussed with the Independent Valuer on the bases of calculation adopted, we are of the view the corresponding capital values adopted by the Independent Valuer in preparing the valuation report for the hotel rooms, the undeveloped commercial/residential permissible gross floor area at Hotel Fortuna and the residential property utilized as staff quarter as a whole are fair and reasonable.

Assumptions

The Independent Valuer stated that:

“Our valuations have been made on the assumption that the owner(s) sell the property interests on the market in its existing state without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the values of the property interests.

We have assumed that the owner of the property interests has free and uninterrupted rights to use, lease, sell or mortgage the property interests for the whole of the unexpired term of its respective land use rights.

We have also assumed that the property interests are freely disposable and transferable in the market to both local and overseas purchasers for the whole of the respective unexpired terms as granted without any fees or charge incurred unless otherwise stated.

We have assumed that all consents, approvals and licenses from relevant government authorities for the buildings and structures erected or to be erected thereon have been granted. Also, we have assumed that unless otherwise stated, all buildings and structures erected on the site are held by the owners or permitted to be occupied by the owner(s).

LETTER FROM INDEPENDENT FINANCIAL ADVISER

It is assumed that all applicable zoning, land use regulations and other restrictions have been complied with unless non-conformity has been stated, defined and considered in the valuation certificates. Further, it is assumed that the utilization of the land and improvements is within the boundaries of the property interests described and that no encroachment or trespass exists unless noted in the valuation certificates.

Other special assumptions of the Property, if any, have been stated in the footnotes of the respective valuation certificates.”

We have reviewed the supporting documents and assumptions of the Valuation Report, including workings with calculation and the assumptions provided by the Independent Valuer.

We are of the view that the assumptions and the bases adopted in the Valuation Report to generate the valuation amount of the Property, including the assumption of:

- (i) all buildings and structures erected on the site are held by the owners or permitted to be occupied by the owner;
- (ii) all consents, approvals and licenses from relevant government authorities for the buildings and structures erected;
- (iii) the owner of the property interests has free and uninterrupted rights to use, lease, sell or mortgage the property interests for the whole of the unexpired term of its respective land use rights; and
- (iv) all applicable zoning, land use regulations and other restrictions have been complied with and the utilization of the land and improvements is within the boundaries of the property interests describe;

and the bases of calculation adopted including the valuation amount being the aggregated amount of:

- (i) the hotel accommodates floors of guest rooms and hotel facilities;
- (ii) the undeveloped permissible plot ratio counted gross floor area at Hotel Fortuna, Foshan of approximately 62,000 square meter by the construction of new residential buildings for sale; and
- (iii) the floors of existing residential area utilized for staff quarters;

are fair and reasonable.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

THE CONSIDERATION AND THE VALUATION AMOUNT

The aggregate Consideration for 25% of the entire issued share capital of the Target Company and 25% of the Shareholder's Loan is HK\$150,000,000, as to HK\$129,626,110 of the Consideration is ascribed to the disposal of an aggregate 25% of the Shareholder's Loan.

According to the unaudited accounts of the Target Group as at 31 January 2013 provided by the Company, the unaudited consolidated net liabilities of the Target Group was in the amount of approximately HK\$102,512,000. The valuation amount of the Property as at 31 January 2013 arrived by the Independent Valuer was HK\$721,480,000, which is higher than the carrying value of the Property in the unaudited consolidated accounts of the Target Group as at the date by approximately HK\$127,317,000. Taking into account such valuation surplus of HK\$127,317,000, the adjusted consolidated net assets of the Target Group as at 31 January 2013 is approximately HK\$24,805,000.

Having considered that:

- (i) HK\$129,626,110 of the Consideration is ascribed to the disposal of an aggregate 25% of the Shareholder's Loan which is on a dollar-for-dollar basis;
- (ii) the balance of the Consideration amounting to HK\$20,373,890 ascribed to 25% of the entire issued share capital of the Target Group, is higher than 25% of the adjusted consolidated net assets of the Group of approximately HK\$6,201,250 (25% of HK\$24,805,000); and
- (iii) the Board confirms that that there is no relevant alternative offer made for the same asset and rejected by the Board;

we are of the view that the Consideration for 25% of the entire issued share capital of the Target Company and 25% of the Shareholder's Loan at HK\$150,000,000 is fair and reasonable so far as the interests of the Independent Shareholders are concerned.

POSSIBLE FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The aggregate Consideration for 25% of the entire issued share capital of the Target Company and 25% of the Shareholder's Loan is HK\$150,000,000, payable in cash at Completion. As to HK\$129,626,110 of the Consideration is ascribed to the disposal of an aggregate 25% of the Shareholder's Loan and the balance of the Consideration is ascribed to the disposal of an aggregate 25% of the entire issued share capital of the Target Company.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

As stated above:

- (i) the Directors consider that the Proposed Disposal will provide additional funding to the Group's development, especially for the above property development in Foshan;
- (ii) the proceeds from the Proposed Disposal is intended to be used for future business development and capital expenditure and general working capital, which is in line with the principal business activities of the Group; and
- (iii) the full utilization of the undeveloped permissible gross floor area at Hotel Fortuna by the construction of new residential buildings for sale according to plan may increase shareholders' return.

As a result of the Proposed Disposal, based on the audited consolidated financial statements of the Company for the year ended 31 July 2012:

(i) Liquidity

The aggregate Consideration for 25% of the entire issued share capital of the Target Company and 25% of the Shareholder's Loan is HK\$150,000,000, payable in cash at Completion. Accordingly, the liquidity position of the Group will be improved by HK\$150,000,000 immediately after Completion.

(ii) Net earnings

As the Target Company is expected to continue to be a subsidiary of the Company following completion of the Proposed Disposal, save that the loss for the year attributable to owners of the Company would decrease from approximately HK\$120.3 million to approximately HK\$97.5 million, no financial effect of the Proposed Disposal on the earnings of the Group is expected.

(iii) Assets and liabilities

The total assets of the Group would increase from approximately HK\$1,208 million to approximately HK\$1,357 million while the total liabilities of the Group would increase from approximately HK\$281 million to approximately HK\$410 million. Accordingly, the net assets will be improved by approximately HK\$20 million immediately upon the completion of the Proposed Disposal.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The Proposed Disposal will have an improvement on the liquidity, and the net assets base of the Group. The Proposed Disposal will not have a financial effect on the earnings of the Group. Accordingly, we are of the view that the Proposed Disposal, as a whole, will have a positive impact on the financial position of the Group.

OPINION

To arrive at our recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed factors and the reasons summarized as follows:

1. the Proposed Disposal is in the interests of the Group and its shareholders as a whole and in the ordinary course of business of the Group;
2. the Consideration is fair and reasonable so far as the interests of the Company and the Independent Shareholders are concerned;
3. the assumptions and the bases adopted in the Valuation Report to generate the valuation amount of the Property are fair and reasonable;
4. the entering into the Sale and Purchase Agreements are on normal commercial terms; and
5. the Completion of the Proposal Disposal will have positive impact on the financial position of the Group.

RECOMMENDATION

Having reviewed all the reasons and factors, as set out above, we are of the view that the Proposed Disposal is in the interests of the Company and the Shareholders as a whole and in the ordinary course of business of the Group as well as the terms of the Sale and Purchase Agreements are on normal commercial terms and fair and reasonable so far as the interests of the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Proposed Disposal.

Yours faithfully,
For and on behalf of
Messis Capital Limited
Michael Leung
Executive Director

1. STATEMENT OF INDEBTEDNESS**Borrowings and debts**

At the close of business on 31 January 2013, being the latest practicable date for the purpose of this statement of indebtedness prior to printing of the circular, the Group had total outstanding borrowings of approximately HK\$143.85 million, which comprising (i) secured bank borrowings of approximately HK\$115.16 million; (ii) convertible bonds with carrying value and principal amount of approximately HK\$18.68 million and HK\$20.00 million respectively; (iii) unsecured borrowings due to associate (Tin Fok Holding Company Limited) of HK\$10.00 million; and (iv) secured corporate credit card payables of approximately HK\$0.01 million.

The bank borrowings of HK\$115.16 million at the close of business on 31 January 2013 were secured by the Group's hotel properties with carrying value of approximately HK\$332 million.

The corporate credit card payables of HK\$0.01 million at the close of business on 31 January 2013 were secured by a fixed deposit of HK\$0.64 million pledged to secure the corporate card facility granted by a bank.

Capital commitments

At the close of business on 31 January 2013, the Group had capital commitments of approximately HK\$5.15 million in respect of properties for development and HK\$0.34 million in respect of acquisition of property, plant and equipment.

Disclaimer

Save as disclosed above and apart from intra-group liabilities and normal trade payables in the ordinary course of business, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, borrowings or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase or finance lease commitments, guarantees or other material contingent liabilities as at the close of business on 31 January 2013.

2. WORKING CAPITAL

The Directors of the Company are of the opinion that, after taking into account the financial resources available to the Group including the estimated net proceeds generated from the Proposed Disposal, the Group has sufficient working capital to satisfy its requirements for at least the next 12 months following the date of this circular.

3. TRADING AND FINANCIAL PROSPECTS OF THE GROUP

The construction of the new recreational building of Hotel Fortuna, Foshan with swimming pool, gym, sauna, karaoke and other club house facilities was completed during the financial year ended 31 July 2012. These new facilities are expected to enhance the operational efficiency, competitiveness and revenue of the hotel. After the completion of the recreational building, Hotel Fortuna, Foshan still has an undeveloped permissible plot ratio counted gross floor area for residential use of approximately 62,000 square meters. According to plan, the management will utilise such development potential for the construction of new residential buildings for sales. The Group is optimistic with the long term prospects of the property and hospitality sectors in Macau and the PRC. With healthy financial position and business operation, the Group continues its prudent approach to identify and seek sound business opportunities to maximize shareholders' return.

The Group also holds a 32.5% interest in Hotel Fortuna, Macau which is owned and operated by Tin Fok Holding Company Limited, an associated company of the Group. Despite the keen competition in the Macau hotel industry, Hotel Fortuna, Macau is expected to maintain its high occupancy rate and continues to generate a stable stream of revenue.

In addition, the Group continues to own the vacant land of approximately 9,553 square meters located in Coloane, Macau and holds an effective 5% interest in the land site at Avenida Commercial de Macau through an investee company. The two pieces of land are intended for high end residential development and the Group is awaiting the government's approval for the commencement of the developments.

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Leading / Thinking / Performing



18 March 2013

Capital Estate Limited
17/F, Asia Orient Tower,
Town Place,
33 Lockhart Road,
Wanchai,
Hong Kong

Dear Sirs,

In accordance with the instructions from Capital Estate Limited (the “Company”) and/or its subsidiaries (hereinafter together referred to as the “Group”) to value the property interests located in Foshan City of Guangdong Province, the People’s Republic of China (the “PRC”) (the “Property”), we confirm that we have carried out inspection for the property interests, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interests as at 31 January 2013 (the “date of valuation”).

This letter that forms part of our valuation report explains the basis and methodology of valuation and clarifies our assumptions made on the ownerships to the property interests and the limiting conditions.

BASIS OF VALUATION

Our valuation is our opinion of the *Market Value* which is defined in accordance with the HKIS Valuation Standards of the Hong Kong Institute of Surveyors to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Market Value is understood as the value of an asset and liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

This estimate specifically excludes an estimated price inflated or deflated by special considerations or concessions granted by anyone associated with the sale, or any element of special value.

VALUATION METHODOLOGY

The property interests held for development and were valued by direct comparison method where comparison based on prices realized on actual sales or market price information of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of the property interests in order to arrive at a fair comparison. We have also taken into account the incurred construction costs and the costs that will be incurred to complete the development to reflect the quality of the completed development.

TITLE INVESTIGATION

We have been provided with copies of documents in relation to the title of the property interests located in the PRC. However, we have not scrutinized the original documents to verify ownership or to verify any amendments, which may not appear on the copies handed to us. We have relied to a considerable extent on the information provided by the Group and the PRC legal opinion provided by the PRC legal adviser, Hills & Co., on the PRC Law regarding the property interests located in the PRC.

All legal documents disclosed in this letter and valuation certificates are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the property interests set out in this letter and valuation certificates.

ASSUMPTIONS

Our valuations have been made on the assumption that the owner(s) sell the property interests on the market in its existing state without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the values of the property interests.

We have assumed that the owner of the property interests has free and uninterrupted rights to use, lease, sell or mortgage the property interests for the whole of the unexpired term of its respective land use rights.

We have also assumed that the property interests are freely disposable and transferable in the market to both local and overseas purchasers for the whole of the respective unexpired terms as granted without any fees or charge incurred unless otherwise stated.

We have assumed that all consents, approvals and licenses from relevant government authorities for the buildings and structures erected or to be erected thereon have been granted. Also, we have assumed that unless otherwise stated, all buildings and structures erected on the site are held by the owners or permitted to be occupied by the owner(s).

It is assumed that all applicable zoning, land use regulations and other restrictions have been complied with unless non-conformity has been stated, defined and considered in the valuation certificates. Further, it is assumed that the utilization of the land and improvements is within the boundaries of the property interests described and that no encroachment or trespass exists unless noted in the valuation certificates.

Other special assumptions of the Property, if any, have been stated in the footnotes of the respective valuation certificates.

LIMITING CONDITIONS

We have relied to a considerable extent on the information provided by the Group and have accepted advice given to us by the Group on such matters as statutory notices, easements, tenure, occupancy, planning approvals, construction cost, site and floor areas and all other relevant matters. Dimensions and areas included in the valuation certificates are based on information contained in the documents provided to us and are only approximations.

We have no reason to doubt the truth and accuracy of the information as provided to us by the Group. We were also advised by the Group that no material facts have been omitted from the information so supplied. We consider we have been provided with sufficient information to reach an informed view.

Our Miu Go has inspected the Property in March 2013. However, no structural survey has been made and we are therefore unable to report as to whether the Property are or are not free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

No site investigations have been carried out to determine the suitability of the ground conditions or the services for the development site. Our valuation is made on the basis that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the interests are free of encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

REMARKS

In valuing the property interests, we have complied with all the requirements contained in Paragraph 34(2), (3) of Schedule 3 of the Companies Ordinance (Cap. 32), Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors.

We hereby certify that we have neither present nor a prospective interest in the property interest or the value reported.

We enclose herewith the summary of valuation and the valuation certificates.

Unless otherwise stated, all monetary amounts stated in this report are in Hong Kong Dollars. The currency we adopted as of the date of valuation is approximately HK\$1=RMB0.8019.

Yours faithfully,

For and on behalf of

AMERICAN APPRAISAL CHINA LIMITED

Eric M. H. Poon

MHKIS, MRICS, RPS(GP), CIREA, CFA

Assistant Vice President

Note: Mr. Eric Poon, who is a Chartered Valuation Surveyor, has over 12 years experience in valuation of properties in Hong Kong, the PRC and the overseas.

SUMMARY OF VALUATION

No.	Property	Capital Value in existing state as at 31 January 2013 (HKD)
1.	Hotel Fortuna Foshan and Construction-in-progress (CIP) works located at No. B82 Lecong Avenue East, Lecong Residential Committee, Lecong Town, Shunde District, Foshan City, Guangdong Province, the PRC 中國廣東省佛山市順德區樂從鎮樂從居委會樂從大道東B82 之財神酒店及在建工程	714,000,000
2.	Staircase area on Level 1 and entire Level 2 to Level 4 located at No. B89 Zhenhua Road, East District, Lecong Residential Committee, Lecong Town, Shunde District, Foshan City, Guangdong Province, the PRC 中國廣東省佛山市順德區樂從鎮樂從居委會東區 振華路B89號首層梯間和二、三、四層	7,480,000
		Total: <u><u>721,480,000</u></u>

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Capital Value in existing state as at 31 January 2013 (HKD)
1.	Hotel Fortuna Foshan and Construction-in- progress (CIP) works located at No. B82 Lecong Avenue East, Lecong Residential Committee, Lecong Town, Shunde District, Foshan City, Guangdong Province, the PRC 中國廣東省 佛山市順德區 樂從鎮樂從 居委會 樂從大道東B82之 財神酒店及在建 工程	<p>The property comprises a 18-storey (including basement level) hotel building, a 5-storey (including basement level) composite building and CIP works erected on a parcel of land with a site area of approximately 25,966.55 sq.m. The hotel and the composite building were completed in about 2006 and 2011 respectively.</p> <p>The property is located at the southeast side of Lecong Avenue in Lecong Town, which is a downtown area with various residential and commercial developments in Shunde District.</p> <p>The hotel accommodates 406 guest rooms from Level 5 to Level 17 while Level 1 to Level 4 mainly accommodates food and beverages, lounge, restaurants, multifunction rooms and the basement accommodates back-of-house area. The composite building accommodates sauna, fitness centre and a night club.</p>	<p>The hotel and the composite building were in operation and the CIP works was still at pre-construction stage as at the date of valuation.</p>	714,000,000
			<p>As per information provided, the total gross floor area of the hotel and the composite building is approximately 46,733 sq.m.</p>	

No.	Property	Description and Tenure	Particulars of Occupancy	Capital Value in existing state as at 31 January 2013 (HKD)
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The CIP works is proposed to be developed into a residential development with a total gross floor area of approximately 86,290 sq.m.

The land use rights of the property have been granted for a term expiring on July 24, 2072 for residential use and July 24, 2042 for commercial use respectively.

Notes:

- Pursuant to the Realty Title Certificate (房地產權証), Yue Fang Di Quan Zheng Fo Zi Di No. 0312043402 (粵房地權証佛字第0312043402號) issued by People's Government of Shunde District, Foshan City (佛山市順德區人民政府) registered on June 19, 2012, the land use rights and building ownership rights of the property with a site area of 25,966.55 sq.m. and a total gross floor area of approximately 46,732.94 sq.m. are held by Foshan Fortuna Hotel Company Limited (佛山市財神酒店有限公司) ("Foshan Fortuna Hotel") for commercial and residential uses expiring on July 24, 2072.
- Pursuant to the Foshan City Shunde District Construction Land Planning Conditions (佛山市順德區建設用地規劃條件), Shun Gui Tiao Jian (2012) No.247 (順規條件(2012) 247號), issued by Foshan City Shunde District Development Planning and Statistics Bureau (佛山市順德區發展規劃和統計局) (the "Planning and Statistics Bureau") dated July 12, 2012, the property is subject to the following conditions:—

Site area	:	25,966.54 sq.m.
Usage	:	Commercial Service facilities use compatible with residential use
Plot Ratio	:	≤4.0 (and ≥1.2)
Permissible plot ratio		
Gross Floor Area	:	≤103,866 sq.m. (and ≥31,160 sq.m.)
Height Restriction	:	≤130m

According to the above mentioned conditions, the total permissible plot ratio gross floor area of the property is approximately 103,866 sq.m. The existing total gross floor area of the hotel and the composite building is lower than the permissible total gross floor area. As advised by the Group, the CIP works is to be developed into a residential development to utilize the permissible gross floor area. In the course of our valuation, we have taken into account the value of the CIP works assuming that it has been approved by relevant government authorities with all related cost or fee fully settled.

3. Pursuant to the Approval of Construction Project (建設項目核准的批復), Shun Gui Zi [2013] No. 10(順規資[2013]10號), issued by the Foshan City Shunde District Development Planning and Statistics Bureau (佛山市順德區發展規劃和統計局), dated 14 January 2013, the CIP works of the proposed development known as “Hu Pan No. 1” has been approved with an attributable site area of about 12,348 sq.m and a total gross floor area of about 86,290.19 sq.m. The CIP works includes high-rise residential buildings and ancillary facilities. The gross floor area breakdown is set out as follows:

Uses	Gross Floor Area (sq.m.) approx.
Residential	61,874.25
Ancillary Facilities	1,985.94
Basement	22,430
Total	86,290.19

4. Pursuant to the Mortgage Agreement (抵押合同), Fo Di Zi Di No. 1 (佛抵字第1號) and a Fixed Asset Loan Agreement (固定資產借款合同), Foshan Branch [2009] Nian Fo Zhai Zi Di No. 6 (佛山分行[2009]年佛債字第6號) entered into between Industrial and Commercial Bank of China – Foshan Branch (中國工商銀行股份有限公司佛山分行) and Foshan Fortuna Hotel dated February 17, 2009, the property is pledged to the former party for a term from February 19, 2009 to February 14, 2014 at an amount of RMB135,000,000.
5. Pursuant to the Lease Agreement (租賃合同), entered into between Foshan Fortuna Hotel (“Lessor”) and Hehuiwen (何惠文) (“Lessee”) dated June 2, 2012, portions of Levels 1 to 3 of the composite building with a total floor area of 2,828.12 sq.m. were leased from the Lessor to Lessee for a term of 1 year commencing on June 1, 2012 and expiring on May 31, 2013. As confirmed by Foshan Fortuna Hotel, the leased portion of the composite building is used by Foshan Shun Tak District Tianhe Entertainment Company Limited (佛山市順德區天河歌舞娛樂有限公司), which is a joint venture company of Foshan Fortuna Hotel (90% interest) and the Lessee (10% interest), for karaoke operation and entertainment purposes at a total monthly rent of RMB60,000 exclusive of water and electricity expenses.
6. As advised by the Company, the total construction cost incurred in the CIP works of the said proposed development was about RMB3,538,000 as at the date of valuation, which has been taken into account in the course of our valuation.
7. The property is located at the southeast side of Lecong Avenue in Lecong Town of Shunde District, which is an urban area with various residential and commercial developments found nearby. Lecong Town is located in the north western part of Shunde District while Shunde District is situated on the southern side of the Foshan City. The property is also close to the Lecong Cultural Park, a famous Lecong Furniture Market, 325 national highway and Foshan 1st Ring Road. As for the hotel market sector, according to the hotel market research, the general performance of 5-star hotel in China in 2011 was stable with improvement in overall occupancy and average daily room rate. However, the growth in gross operating profit was negligible due to the increase in hotel operating cost level. For the Guangzhou and Shenzhen cities, new supply of 5-star hotels came onto market in the past 2 years which have been well absorbed by the market. As for the residential market sector, the mass residential market of Shunde District experienced some price fluctuations between 2011 and 2012. The general residential price level was generally stable during 2011 and began to gently decline in the first half of 2012 and stabilized in the second half of 2012. The general mass residential price level currently ranges from about 6,500 per square meter to about 7,500 per square meter.

8. The PRC legal opinion states, inter alias, that:
- a. Foshan Fortuna Hotel legally owns the land use rights and buildings ownership rights of the Property as per the Realty title Certificate stated in the above Note 1.
 - b. The Property has not been transferred and Foshan Fortuna Hotel is entitled to use and occupy the Property.
 - c. However, as the property is subject to a mortgage, Foshan Fortuna Hotel cannot transfer, lease out, further mortgage and pledge the property without obtaining the approval from the mortgagee of the property during the mortgage period.
 - d. As advised by the Group, the rights, truth, legality and validity of the Property will not be subject to challenge, dispute or scrutiny by the relevant local authorities.
 - e. As advised by the Group, save for the aforesaid mortgage, the Property is not subject to any other encumbrances, litigations or disputes.
 - f. As advised by the Group, the current use of the Property is in accordance to the uses under the above mentioned Realty Title Certificate. As the Foshan Fortuna Hotel continues its current uses, there is no foreseeable unfavourable situation or effect on the Property.
 - g. Foshan Fortuna Hotel has obtained the ownership rights of the property and has a right to let the property. The Lease Agreement as mentioned in note (5) above is valid and legally binding. The Lease Agreement has not been registered at the relevant authority. However, non-registration of the Lease Agreement will not invalidate the Lease Agreement or make the Lease Agreement unenforceable.
 - h. As confirmed by Foshan Fortuna Hotel, the lessee has been notified regarding the Mortgage Agreement as mentioned in Note (4) above, and the Lease Agreement is legally valid.
 - i. As confirmed by Foshan Fortuna Hotel, the leased portion of the Property is used by Foshan Shun Tak District Tianhe Entertainment Company Limited (佛山市順德區天河歌舞娛樂有限公司), which is a joint venture company of Foshan Fortuna Hotel and the Lessee, for karaoke operation and entertainment purposes.
9. Foshan Fortuna Hotel is an indirectly 100%-owned subsidiary of the Company.
10. In the course of valuation, we have made the following assumptions:
- (i) Foshan Fortuna Hotel possesses the proper title of the property with all premium and costs fully settled and is entitled to use, transfer, lease and mortgage the property or dispose of the property by other lawful means in accordance with the laws of the PRC during the term of the land use rights.
 - (ii) The proposed development (inclusive of the CIP works) stated under the said Approval of Construction Project is in compliance with local planning regulations and has been approved by relevant authorities with all related cost fully settled.
 - (iii) The buildings or structures of the property are in compliance with local planning and building regulations and have been approved by the relevant authorities with all related cost or fee fully settled.
 - (iv) Save for the said mortgage, the property is not subject to any other encumbrances, litigations or disputes.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Capital Value in existing state as at 31 January 2013 (HKD)
2.	Staircase area on Level 1 and entire of Level 2 to Level 4 located at No. B89 Zhenhua Road, East District, Lecong Residential Committee, Lecong Town, Shunde District, Foshan City, Guangdong Province, the PRC 中國廣東省 佛山市 順德區樂從鎮 樂從居委會東區 振華路B89號 首層梯間和 二、三、四層	The property comprises staircase area on Level 1 and entire of Level 2 to Level 4 of a 4-storey composite building completed in about 2000s. The property is located on the eastern side of Zhenhua Road and northern side of Zhenhua 1st Street in Lecong Town of Sunde District. The total gross floor area of the property is approximately 2,512.8 sq.m. as per the relevant Realty Title Certificate. The land use rights of the property have been granted for a term expiring on July 7, 2069 for residential and commercial uses.	As advised by the Group, the property was occupied for staff dormitory as at the date of valuation.	7,480,000

Notes:

- Pursuant to the Realty Title Certificate (房地產權証), Yue Fang Di Zheng Zi Di No. C4967582 (粵房地証字第C4967582號) issued by the People's Government of Foshan City (佛山市人民政府) dated 19 January 2007, the building ownership rights of the property with a gross floor area of 2,512.8 sq.m. are held by Foshan Fortuna Hotel for a term expiring on July 7, 2069 for residential and commercial uses.

2. The property is located on the eastern side of Zhenhua Road and northern side of Zhenhua 1st Street in Lecong Town of Shunde District, which is an urban area with various residential and commercial developments found nearby. Lecong Town is located in the north western part of Shunde District while Shunde District is situated on the southern side of the Foshan City. The property is also located near the Lecong Cultural Park, a famous Lecong Furniture Market, 325 national highway and Foshan 1st Ring Road. The mass residential market of Shunde District experienced some price fluctuations between 2011 and 2012. The general residential price level was generally stable during 2011 and began to gently decline in the first half of 2012 and stabilized in the second half of 2012. The general residential price level currently ranges from about RMB6,500 per square meter to about RMB7,500 per square meter.
3. The PRC legal opinion states, inter alias, that:
 - a. Foshan Fortuna Hotel legally owns property and has the rights to occupy and use the property.
 - b. As per the said Realty Title Certificate, Foshan Fortuna Hotel legally and validly possesses the building ownership rights of the property.
 - c. The property has not been transferred, leased or mortgaged. Foshan Fortuna Hotel has the rights to occupy and use the property and is entitled to transfer, lease or mortgage the property in accordance to the relevant PRC regulations.
 - d. As advised by the Group, the rights, truth, legality and validity of the Property will not be subject to challenge, dispute or scrutiny by the relevant local authorities.
 - e. As advised by the Group, the current use of the Property is in accordance to the uses under the above mentioned Realty Title Certificate. As the Foshan Fortuna Hotel continues its current uses, there is no foreseeable unfavourable situation or effect on the Property.
 - f. As advised by the Group, the Property is not subject to any mortgage, lease, permits or other encumbrances, litigations or disputes.
4. Foshan Fortuna Hotel is an indirectly 100%-owned subsidiary of the Company.
5. In the course of valuation, we have made the following assumptions:
 - (i) Foshan Fortuna Hotel possesses the proper title of the property with all premium and costs fully settled and is entitled to use, transfer, lease and mortgage the property or dispose of the property by other lawful means in accordance with the laws of the PRC during the term of the land use rights.
 - (ii) The buildings or structures of the property are in compliance with local planning and building regulations and have been approved by the relevant authorities with all related cost or fee fully settled.
 - (iii) The property is not subject to any encumbrances, litigations or disputes.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Director's and chief executive's interests and short positions in shares and underlying shares and debentures

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors and the chief executives were taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules were as follows:

(i) Long positions in ordinary shares and underlying shares of the Company

Name of Director	Number of Shares held			Total	Percentage of the issued share capital of the Company
	Personal interest (held as beneficial owners)	Family interest (interests of spouse or child under 18)	Corporate interest (interest of controlled corporation)		
Sio Tak Hong ("Mr. Sio")	–	24,491,000	861,075,000 (Note 1)	885,566,000	35.88%
Chu Nin Yiu, Stephen ("Mr. Chu")	23,700,000	–	333,447,400 (Note 2)	357,147,400	14.47%
Lau Chi Kan, Michael	7,500	–	–	7,500	0.00%

Notes:

1. Mr. Sio was deemed to be interested in 861,075,000 shares in the Company held through Fullkeen Holdings Limited ("Fullkeen"), which is in turn 70% owned by Mr. Sio.
2. Mr. Chu was deemed to be interested in 333,447,400 shares in the Company held through Supervalue Holdings Limited ("Supervalue"), which is in turn wholly owned by Mr. Chu.

(ii) Long positions in underlying shares of the Company's associated corporations

Name of Director	Associated Corporation	Number of Shares held			Total	Percentage of the issued share capital of the associated corporation
		Personal interest (held as beneficial owners)	Family interest (interests of spouse or child under 18)	Corporate interest (interest of controlled corporation)		
Mr. Sio	Tin Fok Holding Company Limited	–	–	1,350 (Note 1)	1,350	67.50%
Mr. Chu	Tin Fok Holding Company Limited	–	–	250 (Note 2)	250	12.50%

Notes:

1. Mr. Sio was deemed to be interested in 1,350 shares in Tin Fok Holding Company Limited in which 1,100 shares were held through Global Master Management Limited, which is in turn 70% owned by Mr. Sio, and 250 shares were held through Macro Rich Limited, which is turn 60% owned by Global Master Management Limited.
2. Mr. Chu was deemed to be interested in 250 shares in Tin Fok Holding Company Limited held through Macro Rich Limited, which is in turn 40% owned by Mr. Chu.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executives of the Company was interested in the Shares, underlying shares or debentures of the Company and 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 or short positions which the Directors or the chief executives were taken or deemed to have under such provisions of the SFO) or which are required to be entered into the register maintained by the Company under section 352 of the SFO or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Discloseable interests and short positions of shareholders under the SFO

As at the Latest Practicable Date, so far as is known to any of the Directors or chief executives of the Company, the following person (other than a person who is a Director or chief executive of the Company) had interests or short positions 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 meetings of any other member of the Group, or which was recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Number of Shares held			Total	Percentage of the issued share capital of the Company
	Personal interest (held as beneficial owners)	Family interest (interests of spouse or child under 18)	Corporate interest (interest of controlled corporation)		
Fullkeen	861,075,000 (Note 1)	–	–	861,075,000	34.89%
Supervalue	333,447,400 (Note 2)	–	–	333,447,400	13.51%

Notes:

1. Mr. Sio was deemed to be interested in 861,075,000 shares in the Company held through Fullkeen, which is in turn 70% owned by Mr. Sio. Mr. Sio is a director of Fullkeen.
2. Mr. Chu was deemed to be interested in 333,447,400 shares in the Company held through Supervalve, which is in turn wholly owned by Mr. Chu. Mr. Chu is a director of Supervalve.

As at the Latest Practicable Date, so far as is known to any of the Directors or chief executives of the Company, the Company had not been notified of any other person (other than the Directors or chief executives of the Company) who had an interest or a short position in the Shares or 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 meetings of any other member of the Group, or which was recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

3. COMPETING INTEREST

As at the Latest Practicable Date, Mr. Sio, the Chairman and executive director of the Company, held share interests and/or directorships in Societale de Empreendimentos Nam Van, S.A. (南灣發展股份有限公司) and other companies which are principally engaged in property investment and development in Macau and Mainland China. Mr. Sio is therefore considered to have interests in businesses which compete or are likely to compete with the businesses of the Group pursuant to Rule 8.10 of the Listing Rules.

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

4. INTERESTS IN CONTRACT OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors was materially interested in any contracts or arrangement entered into by any member of the Group which is subsisting at the date of this circular and which is significant in relation to the business of the Group.

None of the Directors has any direct or indirect interest in any assets which have been, since 31 July 2012, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group.

5. MATERIAL ADVERSE CHANGE

As announced by the Company on 11 March 2013, the Group is expected to record a significant loss for the six-month period ended 31 January 2013. The expected loss was mainly attributable to the impairment of properties held by the Group in a preliminary estimated amount of approximately HK\$126 million which is subject to final determination by valuer of the value of the relevant subject properties as at 31 January 2013. Such impairment loss is a non-cash item which has no impact on the operation and cash flow of the Group and the financial position of the Group remains healthy.

Save as aforesaid, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 July 2012, the date to which the latest published audited accounts of the Group have been made up.

6. LITIGATION

As at the Latest Practicable Date, no litigation or claim which may be of material importance is known to the Directors to be pending or threatened against any member of the Group.

7. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered, or is proposing to enter, into any service contract with the Group which is not expiring or may not be terminated by the Company within a year without payment of any compensation (other than statutory compensation).

8. EXPERTS

- (a) The following are the qualifications of the experts who have given opinion or advice contained in this circular:

Name	Qualification
Messis Capital Limited	a corporation licensed under the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
American Appraisal China Limited	Property valuer

- (b) As at the Latest Practicable Date, none of the Independent Financial Adviser or the Valuer had any shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group.
- (c) None of the Independent Financial Adviser or the Valuer has given and has not withdrawn its written consent to the issue of this circular, with inclusion of its letter and references to its name in the form and context in which it is included.
- (d) As at the Latest Practicable Date, none of the Independent Financial Adviser or the Valuer was interested, directly or indirectly, in any assets which had since 31 July 2012 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to any member of the Group or which are proposed to be acquired or disposed of by or leased to any member of the Group.

9. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Group within the two years immediately preceding the date of this circular and are, or may be, material:

- (a) the fourth supplemental agreement dated 22 June 2011 entered into between Kong Kei Construction Limited (“Kong Kei”), Tamulus Limited (“Tamulus”), Mr. Wong Tak Chong (“Mr. Wong”) and Mr. Chen Yanping (“Mr. Chen”) which, amongst other things, further extend the long stop date of the agreement (the “June Agreement”) dated 29 June 2007 regarding sale and purchase of 49% of the issued quota capital of Sun Fat Investment and Industry Company Limited (“Sun Fat”) at nil consideration;
- (b) the fourth supplemental agreement dated 22 June 2011 entered into between Kong Kei, Silver Pro Limited (“Silver Pro”), Tamulus, Mr. Wong and Mr. Chen which, amongst other things, further extend the long stop date of the agreement (the “October Agreement”) dated 5 October 2007 regarding sale and purchase of 50% of the issued quota capital of Sun Fat at nil consideration;
- (c) the fifth supplemental agreement dated 2 August 2012 entered into between Kong Kei, Tamulus, Mr. Wong and Mr. Chen which, amongst other things, further extend the long stop date of the June Agreement at nil consideration;
- (d) the fifth supplemental agreement dated 2 August 2012 entered into between Kong Kei, Silver Pro, Tamulus, Mr. Wong and Mr. Chen which, amongst other things, further extend the long stop date of the agreement the October Agreement at nil consideration; and
- (e) the Sale and Purchase Agreements.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours of the Company at the registered office of the Company at 17th Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong up to and including the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the audited financial statements of the Group for the two years ended 31 July 2011 and 2012;

- (c) the letter from the Board, the text of which is set out on pages 4 to 9 of this circular;
- (d) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 10 to 11 of this circular;
- (e) the letter from the Independent Financial Adviser to the Independent Board Committee, the text of which is set out on pages 12 to 26 of this circular;
- (f) the valuation report from the Valuer, the text of which is set out in Appendix II to this circular;
- (g) the letters of consent from the Independent Financial Adviser and the Valuer, referred to in the paragraph headed “Experts” in this Appendix; and
- (h) the material contracts referred to in the section headed “Material Contracts” in this Appendix, including the Sale and Purchase Agreements; and
- (i) this circular.

11. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Hung Yat Ming, CPA.
- (b) The registered office of the Company is situated at 17th 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 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
- (d) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

NOTICE OF EGM



CAPITAL ESTATE LIMITED

冠中地產有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 193)

NOTICE IS HEREBY GIVEN THAT the extraordinary general meeting of Capital Estate Limited (the “Company”) will be held at Empire Room 1, 1/Floor, Empire Hotel Hong Kong Wanchai, 33 Hennessy Road, Wan Chai, Hong Kong at 3:00 p.m. on Monday, 8 April 2013 for the purpose of considering and if thought fit, passing, with or without amendment, the following ordinary resolutions:

ORDINARY RESOLUTIONS

1. “**THAT:**
 - (a) the sale and purchase agreement dated 28 February 2013 (the “Gao Wang Sale and Purchase Agreement”, a copy of which has been produced to this meeting and marked “A” and initialled by the chairman of the meeting for the purpose of identification) between the Company as the vendor, Gao Wang Investments Limited as the purchaser and Mr. Lai Kin Hak as the guarantor, in relation to the disposal by the Company of 12.5% of the entire issued share capital of Hotel Fortuna (Hong Kong) Company Limited (the “Target Company”) and 12.5% of the shareholder’s loan owed by the Target Company to the Company as at completion of the Gao Wang Sale and Purchase Agreement at a total consideration of HK\$75 million and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and
 - (b) the directors of the Company be and are hereby authorised to do all such acts and things, execute all such documents and exercise all powers as he considers necessary or expedient or desirable in connection with, or to give effect to, the Gao Wang Sale and Purchase Agreement and to implement and/or give effect to the transactions contemplated thereunder including without limitation to the execution, amendment, supplement, delivery, waiver, submission and implementation of any further documents or agreements.”

NOTICE OF EGM

2. “**THAT:**

- (a) the sale and purchase agreement dated 28 February 2013 (the “Gold Champion Sale and Purchase Agreement”, a copy of which has been produced to this meeting and marked “B” and initialled by the chairman of the meeting for the purpose of identification) between the Company as the vendor, Gold Champion Investments Limited as the purchaser and Mr. Tang Fung as the guarantor, in relation to the disposal by the Company of 12.5% of the entire issued share capital of the Target Company and 12.5% of the shareholder’s loan owed by the Target Company to the Company as at completion of the Gold Champion Sale and Purchase Agreement at a total consideration of HK\$75 million and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and
- (b) the directors of the Company be and are hereby authorised to do all such acts and things, execute all such documents and exercise all powers as he considers necessary or expedient or desirable in connection with, or to give effect to, the Gold Champion Sale and Purchase Agreement and to implement and/or give effect to the transactions contemplated thereunder including without limitation to the execution, amendment, supplement, delivery, waiver, submission and implementation of any further documents or agreements.”

Yours faithfully,
By order of the Board of
CAPITAL ESTATE LIMITED
Sio Tak Hong
Chairman

Hong Kong, 18 March 2013

NOTICE OF EGM

Notes:

1. Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him.
2. A proxy need not be a member of the Company. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
3. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited to the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting or poll (as the case may be) at which the person named in such instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.
4. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. Where there are joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present whose name stand first on the register in respect of such share shall alone be entitled to vote in respect thereof.
6. A form of proxy for use at the EGM is enclosed herewith.