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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)

INSIDE INFORMATION RELATING TO A PARCEL OF LAND IN MACAU

This announcement is made by Capital Estate Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Company, through its 99% owned subsidiary, Sun Fat Investment and Industry Company Limited (“**Sun Fat**”), holds a parcel of land located in Terreno junto a Estrada de Nossa Senhora de Ka Ho – Coloane, Macau with a total site area of approximately 10,154 square metres (equivalent to approximately 109,297 square feet) (“**Land**”). The Land has been vacant since the Company’s acquisitions of interests in Sun Fat in June and November 2007 pending approval from the relevant Macau government authorities in respect of an application for amendment of the land lease concession of the Land (“**Approval**”). Sun Fat first submitted an application for the Approval on 29 May 2007. Sun Fat further submitted a construction plan to the relevant government authorities on 1 November 2007 and had continued to liaise with the government authorities in relation to obtaining the Approval. In 2012, Sun Fat submitted a revised development plan revising the plan from developing semi-detached houses and related facilities with a total gross floor of approximately 16,700 squares metres to a low-density development of luxury villas and related facilities with a total gross floor area of approximately 4,400 square metres in the hope to procure the approval for early commencement of the residential development. As of the date of this announcement, the Approval has not been obtained. Without the Approval, the Land cannot be developed based on the development plan submitted to the authorities.

On 4 August 2016, the Company received a written notification from the Land, Public Works and Transport Bureau of Macau (土地工務運輸局) addressed to Sun Fat (“**Notification**”) informing, among others, the following matters:–

- (I) the chief executive of Macau has, based on the opinion of the Secretary for Transport and Public Works Land, instructed that as the validity period of the land grant in respect of the Land has expired, such land grant has become invalid (“**Instruction**”).

- (II) As a result of the land grant of the Land becoming invalid, any form of improvements on the Land shall be returned to the government of Macau with no responsibility or burden. Sun Fat shall not be entitled to any compensation.
- (III) Sun Fat may, within 30 days of receipt of the Notification, lodge a judicial appeal with the Court of Second Instance of Macau in respect of the Instruction.
- (IV) Sun Fat may, within 15 days, raise statement of objection with the chief executive of Macau.

The board of directors of the Company is disappointed with the Notification and is seeking legal advice as to the possible steps that can be taken under the circumstances. The Notification or in the eventuality that the Land is lost, is not expected to cause a material negative impact to the daily operations or trading position of the Group. However, there may be impairment losses recorded which may affect the profit and loss position of the Group. As the matter is still uncertain at this stage, the Company cannot determine the exact amount of financial impact (if any) which may result from the Notification. Further announcement will be made in this regard. Based on the unaudited consolidated interim results of the Group for the six months ended 31 January 2016, the carrying value of the Land is HK\$60,000,000 representing less than 5% of the total assets of the Group of HK\$1,231,090,000 as at 31 January 2016.

Under the agreements in relation to the Group's acquisition of 99% interests in Sun Fat, the vendor and warrantors to the vendor have agreed to return to the purchaser the full consideration of HK\$320,000,000 in cash in the event that the Approval is not obtained before a specified long stop date or if it has become impossible for Sun Fat to obtain the Approval for whatever reason. The relevant long stop date has been extended on various occasions as disclosed in the Company's announcements dated 20 November 2008, 26 June 2009, 22 June 2010, 22 June 2011, 2 August 2012, 8 January 2013, 18 December 2013, 20 January 2015 and 16 December 2015, in the hope that the Approval can be obtained and the Company can proceed with the development on the Land for an investment return. The last extension of the long stop date is to 31 December 2016. In light of the Notification, the Company will reassess the matter and consider possible ways to protect its position.

Further announcement will be made in respect of any material development of this matter in the future.

Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

By Order of the Board of
CAPITAL ESTATE LIMITED
Hung Yat Ming
Company Secretary

Hong Kong, 7 August 2016

As of the date hereof, the board of directors of the Company comprises Mr. Sio Tak Hong, Mr. Chu Nin Yiu, Stephen, Mr. Chu Nin Wai, David, Mr. Lau Chi Kan, Michael as executive directors and Mr. Li Sze Kuen, Billy, Mr. Wong Kwong Fat and Mr. Leung Kam Fai as independent non-executive directors.