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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)

BUSINESS UPDATE

DISPOSAL OF 99% OF THE ISSUED QUOTA CAPITAL OF SUN FAT INVESTMENT AND INDUSTRY COMPANY LIMITED

This announcement is made by Capital Estate Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) on a voluntary basis to provide the shareholders of the Company and potential investors information on the disposal of the Company’s interest in Sun Fat Investment and Industry Company Limited (“**Sun Fat**”).

The board (the “**Board**”) of directors (the “**Directors**”) of the Company announces that on 2 July 2019, the Company entered into a sale and purchase agreement (the “**Disposal Agreement**”) with Kong Kei Construction Limited (the “**Purchaser**”), pursuant to which the Company agreed to sell (the “**Disposal**”), and the Purchaser agreed to purchase the Group’s interest in Sun Fat through the sale of the entire issued share capital of two wholly-owned subsidiaries of the Company, Tamulus Limited and Silver Pro Limited (the “**Target Companies**”), together with the related shareholders’ loans, for a cash consideration of HK\$1,200,000. Completion of the Disposal (“**Completion**”) took place on 30 July 2019. The Target Companies and Sun Fat have ceased to be subsidiaries of the Company since then.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Purchaser is a third party independent of the Company and its connected persons (as defined in the Listing Rules).

REASONS FOR THE DISPOSAL AND USE OF PROCEEDS

On 29 June and 5 November 2007 respectively, the Company, through the Target Companies, acquired 99% of the issued quota capital of Sun Fat from the Purchaser for a total consideration of HK\$320,000,000. The principal asset of Sun Fat was its 100% ownership in a parcel of land located in Terreno junto a Estrada de Nossa Senhora de Ka Ho – Coloane, Macau (the “**Land**”).

Previously, on 29 May 2007, Sun Fat had submitted an application to the relevant government authorities in Macau requesting for amendment of the land lease concession of the Land (the “**Approval**”). On 1 November 2007, Sun Fat further submitted a construction plan to the relevant government authorities. Sun Fat’s continuous negotiations with the government authorities in relation to obtaining the Approval ended up in vain.

On 24 July 2016, the Land, Public Works and Transport Bureau of Macau (土地工務運輸局) (the “**Bureau**”) declared the expiry of the concession of the Land. On 5 August 2016, the Company received a written notification from the Bureau addressed to Sun Fat informing that, among other matters, the land grant of the Land has become invalid.

Under the two sale and purchase agreements dated 13 June 2007 and 5 October 2007 in respect of the Group’s acquisition of 99% interests in Sun Fat, if the Approval is not obtained before a specified long stop date or if it has become impossible for Sun Fat to obtain the Approval, the Purchaser and its warrantors agreed to return to the Company the full amount received by the Purchaser (excluding interest). As disclosed in the Company’s announcements dated 26 August 2016, 29 January 2019 and 18 March 2019, the full settlement sum of HK\$298,004,145 (excluding the sum of HK\$21,995,885 paid by the Group to Sun Fat at the direction of the Purchaser) has been received by the Group.

As the land grant of the Land has become invalid and the ownership of the Land was Sun Fat’s principal asset, the Company wished to dispose of its interest in Sun Fat entirely.

Sun Fat lodged two judicial appeals in the Court of Second Instance of Macau in relation to the Land, the proceeding of one of which is still on-going. The Purchaser, pursuant to the Disposal Agreement, agrees and undertakes to bear and settle all legal and incidental costs, fees and expenses already incurred and to be incurred by Sun Fat after the date of Completion in relation to the aforementioned judicial appeals.

The consideration for the Disposal is HK\$1,200,000, which represents the expenses incurred by Sun Fat after the Group acquired it and the legal fees incurred by the Company in relation to the Disposal. The Directors therefore consider the consideration to be fair and reasonable, and it is in the best interests of the Company to enter into the Disposal Agreement so that the management of the Group can better utilize its resources on other aspects of the Group’s operations.

By Order of the Board of
CAPITAL ESTATE LIMITED
Sio Tak Hong
Chairman

Hong Kong, 30 July 2019

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.