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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

On 28 February 2013, the Company and each of the Purchasers and Guarantors entered into two Sale and Purchase Agreements whereby 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 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.

The Independent Board Committee comprising all independent non-executive Directors has been constituted to advise the independent Shareholders as to whether the terms of the Sale and Purchase Agreements are fair and reasonable so far as the independent Shareholders are concerned and whether the Proposed Disposal is in the interests of the Company and its Shareholders as a whole. An independent financial advisor has been appointed by the Company to advise the Independent Board Committee as to 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.

A circular containing, among other things, further details on the Proposed Disposal, together with the letter of recommendations from the Independent Board Committee, the letter of recommendations from the independent financial advisor to the Independent Board Committee and the independent Shareholders and a notice of the EGM, will be despatched to the Shareholders on or before 21 March 2013.

On 28 February 2013, the Company and each of the Purchasers and Guarantors entered into two Sale and Purchase Agreements whereby 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 SALE AND PURCHASE AGREEMENTS

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.

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, the amount of the Shareholder's Loan and the preliminary valuation amount of the properties of the Target Group as at January 2013 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.

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.

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.

The Group has been committed to the full utilization of the undeveloped permissible 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 residential buildings at the site of Hotel Fortuna, Foshan, and general working capital.

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\$46.8 million from the Proposed Disposal, which is derived from the Consideration less the net asset value attributable to the 25% interest in the Target Company and the Shareholder's Loan and all related expenses.

Based on the factors mentioned above, the Board (excluding the independent non-executive Directors whose views are to be included in the shareholders' circular to be issued by the Company as mentioned in this announcement) 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

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 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.

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.

The Independent Board Committee comprising all independent non-executive Directors has been constituted to advise the independent Shareholders as to whether the terms of the Sale and Purchase Agreements are fair and reasonable so far as the independent Shareholders are concerned and whether the Proposed Disposal is in the interests of the Company and its Shareholders as a whole. An independent financial advisor has been appointed by the Company to advise the Independent Board Committee as to 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.

A circular containing, among other things, further details on the Proposed Disposal, together with the letter of recommendations from the Independent Board Committee, the letter of recommendations from the independent financial advisor to the Independent Board Committee and the independent Shareholders and a notice of the EGM, will be despatched to the Shareholders on or before 21 March 2013.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“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”	an extraordinary general meeting to be convened by the Company to approval, amongst other things, the terms of the Sale and Purchaser 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;
“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;

“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;
“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;
“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; and
“%”	per cent.

By Order of the Board
Capital Estate Limited
Sio Tak Hong
Chairman

Hong Kong, 28 February 2013

As at the date of this announcement, the Board 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.