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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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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 licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your securities in **Capital Estate Limited** (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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This circular, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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.

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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)

## **GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES RE-ELECTION OF RETIRING DIRECTORS ADOPTION OF NEW SHARE OPTION SCHEME AMENDMENTS TO ARTICLES OF ASSOCIATION AND ADOPTION OF NEW ARTICLES OF ASSOCIATION AND NOTICE OF ANNUAL GENERAL MEETING**

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A notice of the Annual General Meeting of the Company to be held at Empire Room 1, M/Floor, Empire Hotel Hong Kong Wanchai, 33 Hennessy Road, Wan Chai, Hong Kong, on Friday, 7th December, 2012 at 3:00 p.m. is set out on pages 32 to 40 of this circular. A form of proxy for use by the Shareholders at the Annual General Meeting is enclosed. Whether or not you intend to attend and vote at the Annual General Meeting in person, please complete the form of proxy enclosed in accordance with the instructions printed thereon and return it 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 practicable but in any event not later than 48 hours before the time appointed for holding the Annual General Meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the Annual General Meeting should you so wish.

5th November, 2012

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## DEFINITIONS

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*In this circular, the following expressions shall have the following meanings unless the context indicates otherwise:*

|                          |  |
|--------------------------|--|
| “Adoption Date”          | 7th December, 2012, the date on which the New Share Option Scheme was adopted by resolutions of the Shareholders   |
| “Annual General Meeting” | the annual general meeting of the Company to be held at Empire Room 1, M/Floor, Empire Hotel Hong Kong Wanchai, 33 Hennessy Road, Wan Chai, Hong Kong, on Friday, 7th December, 2012, at 3:00 p.m., or any adjournment thereof   |
| “Articles”               | the articles of association of the Company   |
| “associates”             | has the same meaning ascribed to it under the Listing Rules  |
| “Board”                  | the board of Directors   |
| “Business Day”           | a day on which the Stock Exchange is generally open for the business of dealing in securities and “Business Days” shall be construed accordingly   |
| “Company”                | Capital Estate Limited, a company incorporated in Hong Kong with limited liability, and the Shares of which are listed on the main board of the Stock Exchange   |
| “Companies Ordinance”    | the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)  |
| “connected person(s)”    | has the same meaning ascribed to it under the Listing Rules  |
| “Date of Grant”          | in respect of an Option and unless otherwise specified in the letter of grant, the Business Day on which the Board resolves to make an Offer to a Participant, whether or not the Offer is subject to Shareholders’ approval on the terms of the New Share Option Scheme |
| “Directors”              | the directors of the Company   |

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## DEFINITIONS

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|--------------------------------|---|
| “Issue Mandate”                | a general mandate to allot, issue and deal with new Shares not exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of the ordinary resolution in relation thereof  |
| “Existing Share Option Scheme” | the share option scheme of the Company approved and adopted on 30th December 2002   |
| “Grantee”                      | any Participant who accepts an Offer in accordance with the terms of the New Share Option Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Grantee or the legal personal representative of such person |
| “Group”                        | the Company and its subsidiaries  |
| “HK\$”                         | Hong Kong dollars, the Lawful currency of Hong Kong   |
| “Hong Kong”                    | the Hong Kong Special Administrative Region of the People’s Republic of China   |
| “Individual Limit”             | the meaning ascribed thereto in Appendix III paragraph (E)(iv)  |
| “Invested Entity”              | any entity in which the Group holds any equity interest and “Invested Entities” shall be construed accordingly  |
| “Latest Practicable Date”      | 31st October, 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein  |
| “Listing Rules”                | the Rules Governing the Listing of Securities on the Stock Exchange   |
| “New Share Option Scheme”      | the share option scheme proposed to be adopted and approved by the Shareholders at the Annual General Meeting   |
| “Offer”                        | the offer of the grant of an Option made in accordance with Appendix III paragraph (B)  |

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## DEFINITIONS

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|------------------------|--|
| “Option”               | an option to subscribe for Shares pursuant to the New Share Option Scheme and for the time being subsisting  |
| “Option Period”        | in respect of any particular Option, the period to be determined and notified by the Board to the Grantee at the time of making an Offer which shall not expire later than ten (10) years from the Date of Grant   |
| “Participant(s)”       | <p>any person(s) belonging to any of the following classes:-</p> <ul style="list-style-type: none"><li>(i) an employee (whether full time or part time and including executive director) of any member(s) of the Group or any Invested Entity;</li><li>(ii) any non-executive director (including independent non-executive directors) of any member of the Group or any Invested Entity;</li><li>(iii) any consultant, adviser or agent (legal, financial or professional) engaged by any member of the Group or any Invested Entity; and</li><li>(iv) any vendor, supplier of goods or services or customer of or to any member of the Group or Invested Entity who, under the terms of relevant agreement with the Group or the relevant Invested Entity;</li></ul> |
| “Repurchase Mandate”   | authority to repurchase the fully paid up Shares of up to 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of the ordinary resolution in relation thereof  |
| “Scheme Mandate Limit” | has the meaning ascribed to it in Appendix III paragraph (E)(i)  |
| “SFO”                  | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time   |

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## DEFINITIONS

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|                          |   |
|--------------------------|---|
| “Shareholder(s)”         | the holder(s) of the Share(s)   |
| “Share(s)”               | the ordinary share(s) of HK\$0.1 each in the share capital of the Company   |
| “Stock Exchange”         | The Stock Exchange of Hong Kong Limited   |
| “Subscription Price”     | the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option pursuant to Appendix III paragraph (D)   |
| “Subsidiary”             | a company which is for the time being and from time to time a subsidiary undertaking (within the meaning of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)) of the Company, whether incorporated in Hong Kong or elsewhere and “Subsidiaries” shall be construed accordingly |
| “Supplementary Guidance” | supplementary guidance on Rule 17.03(13) of the Listing Rules issued by the Stock Exchange on 5 September 2005  |
| “Takeovers Code”         | the Hong Kong Code on Takeovers and Mergers   |
| “%”                      | per cent.   |

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## LETTER FROM THE BOARD

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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)

*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  
Wan Chai  
Hong Kong

*Independent Non-Executive Directors:*

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

5th November, 2012

*To the Shareholders*

Dear Sir/Madam,

**GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES  
RE-ELECTION OF RETIRING DIRECTORS  
ADOPTION OF NEW SHARE OPTION SCHEME  
AMENDMENTS TO ARTICLES OF ASSOCIATION AND ADOPTION  
OF NEW ARTICLES OF ASSOCIATION  
AND  
NOTICE OF ANNUAL GENERAL MEETING**

### INTRODUCTION

The purpose of this circular is to provide you with information regarding certain resolutions to be proposed at the Annual General Meeting to enable you to make an informed decision on whether to vote for or against those resolutions.

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## LETTER FROM THE BOARD

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At the Annual General Meeting, resolutions, amongst others, will be proposed for the Company to approve (i) the proposed granting of the Repurchase Mandate and the Issue Mandate to the Directors (ii) the re-election of retiring Directors; (iii) adoption of New Share Option Scheme; and (iv) amendments to Articles and adoption of new Articles.

### **GENERAL MANDATES TO REPURCHASE SHARES AND TO ISSUE NEW SHARES**

#### **General mandate to repurchase Shares**

At the Annual General Meeting, an ordinary resolution will be proposed to give to the Directors the Repurchase Mandate. Under the Repurchase Mandate, the maximum number of Shares that the Company may repurchase shall not exceed 10% of the issued and fully paid up share capital of the Company as at the date of passing of the resolution. The Company's authority is restricted to repurchase Shares of the Company on the market in accordance with the Listing Rules. The mandate allows the Company to make repurchases only during the period ending on the earliest of the date of the next annual general meeting of the Company, the date by which the next annual general meeting of the Company is required to be held by the Articles or any applicable law of Hong Kong or the date upon which such authority is revoked or varied by an ordinary resolution of the Shareholders at a general meeting of the Company.

In accordance with the Listing Rules, an explanatory statement is set out in Appendix I to this circular to provide you with the requisite information reasonably necessary to enable you to make an informed decision on whether to vote for or against the proposed ordinary resolution for the grant of the Repurchase Mandate at the Annual General Meeting.

#### **General mandate to issue new Shares**

At the Annual General Meeting, an ordinary resolution will be proposed to give to the Directors the Issue Mandate in order to provide flexibility and discretion to the Directors to issue new Shares not exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of the resolution.

As at the Latest Practicable Date, the Company had 2,467,834,129 Shares in issue or an issued share capital of HK\$246,783,412.90. Subject to the passing of the proposed ordinary resolution in respect of the Issue Mandate and on the basis that no further Shares will be issued, allotted or repurchased by the Company prior to the Annual General Meeting, the exercise of the Issue Mandate in full would result in up to 493,566,825 Shares or the share capital of HK\$49,356,682.50, representing not more than 20% of the aggregate nominal amount of share capital of the Company, being issued by the Company during the period prior to the next annual general meeting of the Company.



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## LETTER FROM THE BOARD

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Subject to the passing of the aforesaid ordinary resolutions, a separate resolution will be proposed to extend the Issue Mandate by adding to it the number of such Shares repurchased under the Repurchase Mandate.

### RE-ELECTION OF RETIRING DIRECTORS

The Board currently consists of four executive directors, namely Mr. Sio Tak Hong, Mr. Chu Nin Yiu, Stephen, Mr. Chu Nin Wai, David and Mr. Lau Chi Kan, Michael, and three independent non-executive directors, namely Mr. Li Sze Kuen, Billy, Mr. Wong Kwong Fat and Mr. Leung Kam Fai.

Pursuant to 103 (A) of the Articles, Mr. Chu Nin Wai, David and Mr. Wong Kwong Fat shall retire from office at the Annual General Meeting and shall be eligible for re-election. As required by the Listing Rules, details of the Directors proposed to be re-elected at the Annual General Meeting are set out in Appendix II to this circular.

### ADOPTION OF NEW SHARE OPTION SCHEME

#### The New Share Option Scheme

The Existing Share Option Scheme was adopted by the Company on 30 December 2002 which will expire on 30 December 2012. Accordingly, the Directors propose to recommend to the Shareholders at the Annual General Meeting to approve the adoption of the New Share Option Scheme which complies with Chapter 17 of the Listing Rules. A resolution will be put forward at the Annual General Meeting for the termination of the Existing Share Option Scheme subject to passing of the resolution adopting the New Share Option Scheme.

The purposes of the New Share Option Scheme are to enable the Group to recruit and retain high calibre employees and attract human resources that are valuable to the Group or any Invested Entity; to recognize the significant contributions of the Participants to the growth of the Group or any Invested Entity by rewarding them with opportunities to obtain ownership interest in the Company; and to further motivate and provide incentives to the Participants to continue to contribute to the long term success and prosperity of the Group or any Invested Entity.

The Board believes that the authority given to the Board under the New Share Option Scheme to specify any minimum holding period and/or performance targets as conditions in any Option granted and the requirement for a minimum subscription price as well as the authority to select the appropriate Participants as prescribed by the rules of the New Share Option Scheme will serve to protect the value of the Company and to achieve such purpose of retaining and motivating high calibre personnel to contribute to the Group.

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## LETTER FROM THE BOARD

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The Directors consider that it is not appropriate to state the value of all Options that can be granted pursuant to the New Share Option Scheme as if they had been granted on the Latest Practicable Date as a number of variables which are crucial for the calculation of the Option value have not been determined. Such variables include but are not limited to the Subscription Price, the timing of granting of such Options, Option Period and performance targets which the Directors may set under the New Share Option Scheme. The Directors believe that any calculation of the value of the Options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to Shareholders.

On the basis of 2,467,834,129 Shares in issue as at the Latest Practicable Date and assuming that no further Shares are allotted, issued or repurchased by the Company prior to the Annual General Meeting, the maximum number of Shares to be issued upon the exercise of Options that may be granted under the New Share Option Scheme and any other share option schemes of the Company will be 246,783,412 Shares, representing 10% of the total Shares in issue as at the date of approval of adoption of the New Share Option Scheme at the Annual General Meeting.

As at the Latest Practicable Date, no Options granted under the Existing Share Option Scheme remained outstanding.

It is therefore proposed that the New Share Option Scheme for the benefit of the Company and the Shareholders be adopted at the Annual General Meeting.

Application will be made to the Stock Exchange for the grant of listing of and permission to deal in the Shares to be issued under the New Share Option Scheme representing up to 10% of the total Shares in issue as at the date of Annual General Meeting.

At the Annual General Meeting, an ordinary resolution will be proposed to approve the adoption of the New Share Option Scheme and authorise the Directors to grant Options thereunder and to allot and issue Shares pursuant to the New Share Option Scheme.

None of the Directors is a trustee of the New Share Option Scheme or has any direct or indirect interest in such trustee, if any.

### **Conditions precedent of the New Share Option Scheme**

The adoption of the New Share Option Scheme is conditional upon:

- (a) the passing of an ordinary resolution to adopt the New Share Option Scheme by the Shareholders at the Annual General Meeting; and

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## LETTER FROM THE BOARD

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- (b) the Listing Committee as defined in the Listing Rules of the Stock Exchange granting the approval of the listing of, and permission to deal in, the Shares which fall to be issued pursuant to the exercise of any Options (subject to an initial limit of 10% of the aggregate number of Shares in issue on the date of such Shareholders' resolution to approve and adopt the New Share Option Scheme).

Subject to the obtaining of Shareholders' approval with respect to the adoption of the New Share Option Scheme at the Annual General Meeting, the total number of Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the total issued capital of the Company as at the Adoption Date unless the Company obtains a fresh approval from Shareholders to renew the 10% limit on the basis that the maximum number of Shares in respect of which Options may be granted under the New Share Option Scheme together with any Options outstanding and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the issued share capital of the Company from time to time.

A summary of the principal terms of the New Share Option Scheme is set out in Appendix III to this circular. The full terms of the New Share Option Scheme are available for inspection at the principal place of business of the Company at 17th Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wan Chai, Hong Kong from the date of this circular to and including the date of the Annual General Meeting and at the Annual General Meeting.

### AMENDMENTS TO ARTICLES AND ADOPTION OF NEW ARTICLES

In order to bring the Articles in line with the recent changes to the Listing Rules, as well as to update the Articles, the Directors propose to amend the Articles. The proposed amendments to the Articles are subject to approval of the Shareholders by way of passing a special resolution at the Annual General Meeting. Details of the proposed amendments are set out in Appendix IV. It is proposed that subject to the passing of a special resolution at the Annual General Meeting, the new Articles containing all amendments be adopted.

### ANNUAL GENERAL MEETING

A notice of the Annual General Meeting is set out on pages 32 to 40 of this circular. At the Annual General Meeting, in addition to the ordinary business of the meeting, resolutions will be proposed to approve the Issue Mandate and the Repurchase Mandate, the adoption of the New Share Option Scheme, the proposed amendments to existing Articles and adoption of new Articles.

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## LETTER FROM THE BOARD

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A form of proxy for use by the Shareholders at the Annual General Meeting is enclosed. Whether or not you intend to attend and vote at the Annual General Meeting in person, you are requested to complete the form of proxy enclosed in accordance with the instructions printed thereon and return it to the share registrar 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 practicable but in any event not less than 48 hours before the time appointed for holding the Annual General Meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the Annual General Meeting should you so wish.

### RECOMMENDATION

The Directors consider that the proposed granting of the Repurchase Mandate and the Issue Mandate, the re-election of retiring Directors, adoption of New Share Option Scheme, amendments to existing Articles and adoption of new Articles, are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend all Shareholders to vote in favour of the relevant resolutions to be proposed at the Annual General Meeting.

By order of the Board of  
**CAPITAL ESTATE LIMITED**  
**Sio Tak Hong**  
*Chairman*

*This Appendix serves as an explanatory statement, as required by the Listing Rules, to provide you with all the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the proposed resolution in respect of the Repurchase Mandate.*

## **LISTING RULES**

The Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase their own shares on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

### **(a) Shareholders' approval**

All proposed repurchases of shares on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of a general mandate or by specific approval.

### **(b) Source of funds**

Repurchases of shares must be funded entirely from the company's available cashflow or working capital facilities and will be made out of funds legally available for such purpose in accordance with the company's memorandum and articles of association and the laws of Hong Kong.

## **REASONS FOR SHARES REPURCHASE**

The Directors believe that it is in the best interests of the Company and the Shareholders to continue to have a general authority from the Shareholders to enable the Directors to repurchase Shares on the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of the Company and its assets and/or its earnings per share and will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders as a whole.

**SHARE CAPITAL**

As at the Latest Practicable Date, the Company had 2,467,834,129 Shares in issue or an issued share capital of HK\$246,783,412.90.

Subject to the passing of the proposed ordinary resolution approving the Repurchase Mandate and on the basis that no further Shares are issued, allotted or repurchased by the Company prior to the Annual General Meeting, the exercise of the Repurchase Mandate in full would result in up to 246,783,412 Shares, representing the share capital of HK\$24,678,341.20, being repurchased by the Company during the period prior to the next annual general meeting of the Company, following the passing of the resolution referred to herein to the date upon which such authority is revoked or varied by an ordinary resolution of the Shareholders at a general meeting of the Company.

**FUNDING OF REPURCHASE**

In repurchasing the Shares, the Company may only apply funds entirely from the Company's available cashflow or working capital facilities and will be made out of funds legally available for such purpose in accordance with its memorandum and Articles and the applicable laws of Hong Kong.

It is envisaged that the funds required for any repurchase of Shares would be derived from the capital paid up on the Shares being repurchased and from the distributable profits of the Company.

There might be a material adverse impact on the working capital or gearing level of the Company as compared with the position disclosed in its most recent published audited accounts as at 31st July, 2012, in the event that the Repurchase Mandate was exercised in full at any one time. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse impact on the working capital or gearing level of the Company which in the opinion of the Directors are from time to time appropriate for the Company.

**DISCLOSURE OF INTERESTS**

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their respective associates has any present intention, in the event that the Repurchase Mandate is approved by the Shareholders, to sell any Shares to the Company.

No connected person has notified the Company that he/she has a present intention to sell any Shares to the Company nor has undertaken not to sell any of the Shares held by him/her to the Company, in the event that the Repurchase Mandate is approved by the Shareholders.

**UNDERTAKING OF THE DIRECTORS**

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Hong Kong.

**EFFECT OF THE TAKEOVERS CODE**

If, as a result of a repurchase of Shares by a company, a shareholder's proportionate interest in the voting rights of the company increases, such increase will be treated as an acquisition of voting rights for the purposes of the Takeovers Code. Accordingly, a shareholder, or group of shareholders acting in concert, could obtain or consolidate control of the company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

APPENDIX I

EXPLANATORY STATEMENT  
FOR THE REPURCHASE MANDATE

As at the Latest Practicable Date, to the best of the knowledge of the Directors, the following are Shareholders interested in 5% or more of the issued Shares as recorded in the register of interests in shares and short position of the Company under Section 336 (1) of Part V of SFO:

Long position in Shares

| Name of Shareholder                        | Number of Shares held                        |   |   | Total       | % of Shares in issue |
|--|--|---|---|-------------|----------------------|
|  | Personal interest (held as beneficial owner) | Family interest (interests of spouse or child under 18) | Corporate interest (interest of controlled corporation) |             |                      |
| Fullkeen Holdings Limited (“Fullkeen”)     | 861,075,000                                  | –   | –   | 861,075,000 | 34.9%                |
| Sio Tak Hong (“Mr. Sio”)                   | –  | 24,491,000  | 861,075,000<br>(Note 1)                                 | 885,566,000 | 35.9%                |
| Supervalue Holdings Limited (“Supervalue”) | 333,447,400                                  | –   | –   | 333,447,400 | 13.5%                |
| Chu Nin Yiu, Stephen (“Mr. Chu”)           | 23,700,000                                   | –   | 333,447,400<br>(Note 2)                                 | 357,147,400 | 14.5%                |

Notes:

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

In the event that the Directors exercise the power under the Repurchase Mandate in full, the percentage of shareholding of Fullkeen, Mr. Sio, Supervalue and Mr. Chu will be increased to approximately 38.8%, 39.9% 15.0% and 16.1% respectively, and the combined shareholding of these substantial shareholders acting in concert with each other will be increased from 50.4% to approximately 56.0%. As the shareholding of Fullkeen and Mr. Sio will increase by more than 2% as a result of the exercise of the Repurchase Mandate in full, such increase would, in the absence of a waiver from the Executive Director of the Corporate Finance Division of the Securities and Futures Commission, give rise to an obligation on Fullkeen and Mr. Sio to make a mandatory offer for all securities of the Company not already owned by them under Rule 26 of the Takeovers Code. Although the Directors have no intention as at the Latest Practicable Date to exercise the Repurchase Mandate to an extent which will give rise to an obligation on Fullkeen and Mr. Sio to make a mandatory offer for all securities of the Company not already owned by them, the Directors cannot rule out the possibility that in the future when circumstances change, the Directors may do so.



APPENDIX I

EXPLANATORY STATEMENT  
FOR THE REPURCHASE MANDATE

SHARE REPURCHASES BY THE COMPANY

The Company did not repurchase any of its Shares (whether on the Stock Exchange or otherwise) in the six months preceding the Latest Practicable Date.

SHARE PRICES

The highest and lowest prices at which the Shares have been traded on the Stock Exchange during each of the previous twelve months preceding the Latest Practicable Date were as follows:–

|   | Price per Shares |                |
|---|------------------|----------------|
|   | Highest<br>HK\$  | Lowest<br>HK\$ |
| 2011                                    |                  |                |
| October                                 | 0.266            | 0.248          |
| November                                | 0.270            | 0.240          |
| December                                | 0.250            | 0.183          |
| 2012                                    |                  |                |
| January                                 | 0.215            | 0.180          |
| February                                | 0.285            | 0.186          |
| March                                   | 0.300            | 0.213          |
| April                                   | 0.265            | 0.205          |
| May                                     | 0.237            | 0.150          |
| June                                    | 0.160            | 0.145          |
| July                                    | 0.165            | 0.150          |
| August                                  | 0.155            | 0.149          |
| September                               | 0.151            | 0.148          |
| October (up to Latest Practicable Date) | 0.170            | 0.130          |

*Biographical details of Directors, who are subject to retirement and re-election at the Annual General Meeting, are as follows:*

**Mr. Chu Nin Wai, David**, aged 57, is an Executive Director, Deputy Chairman of the Company. He was appointed to the Board in May 2005. He has over 20 years' extensive experience in the electronic industry in Hong Kong and overseas and also has experience in property development and investment. He is the elder brother of the Chief Executive Officer and the substantial shareholder of the Company, Mr. Chu Nin Yiu, Stephen.

Save as disclosed above, Mr. David Chu has no relationship with any directors, senior management, substantial or controlling shareholders of the Company, and he does not hold any directorship in other listed public companies in the last three years. As at the Last Practicable Date, Mr. David Chu does not have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. There is currently no service contract between Mr. David Chu and the Company or any of its subsidiaries, and he did not receive any emolument during the year ended 31st July, 2012.

**Mr. Wong Kwong Fat**, aged 56, was appointed to the Board in June 2005. He is a seasoned manager of an insurance broking company in Hong Kong. He is responsible for staff management and training, the provision of individual financial advice to clients and the marketing of a wide range of products including life and general insurance, package fund and mandatory provident fund. Mr. Wong has over 20 years' specialized knowledge and experience in the insurance industry, and is a Fellow Chartered Financial Practitioner of the Life Underwriter Association of Hong Kong.

Mr. Wong has no relationship with any directors, senior management, substantial or controlling shareholders of the Company, and he does not hold any directorship in other listed public companies in the last three years. As at the Last Practicable Date, Mr. Wong does not have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. There is currently no service contract between Mr. Wong and the Company or any of its subsidiaries. During the year ended 31st July, 2012, he received director's fee in the amount of HK\$150,000.

Saved as disclosed above, the Board is not aware of any other matters that need to be brought to the attention of the shareholders of the Company in respect of the above Directors, and there is no other information which is disclosable pursuant to Rule 13.51 (2)(h) to 13.51 (2)(v) of the Listing Rules.

*The following is a summary of the principal terms of the New Share Option Scheme:*

**(A) PURPOSE**

The purposes of the New Share Option Scheme are:

- (a) to enable the Group to recruit and retain high calibre employees and attract human resources that are valuable to the Group or any Invested Entity;
- (b) to recognize the significant contributions of the Participants to the growth of the Group or any Invested Entity by rewarding them with opportunities to obtain ownership interest in the Company; and
- (c) to further motivate and provide incentives to the Participants to continue to contribute to the long term success and prosperity of the Group or any Invested Entity.

**(B) WHO MAY JOIN**

The Board may invite any Participant as the Board may in its absolute discretion select, having regard to each person's qualifications, skills, background, experience, service records and/or contribution or potential value to the relevant member(s) of the Group or any Invested Entity, to take up Options under the New Share Option Scheme at a price calculated in accordance with paragraph (D) below. An Offer shall remain open for acceptance by the Participant concerned for a period of twenty-eight (28) days from the date on which the letter containing the Offer is delivered to the Participant provided that no such Offer shall be open for acceptance after the expiry of the Option Period or after the New Share Option Scheme is terminated or after the Participant has ceased to be a Participant. An Option is deemed to be accepted when the Company receives from the Grantee the Offer letter signed by the Grantee specifying the number of Shares in respect of which the Offer is accepted and a remittance to the Company of HK\$1.00 as consideration for the grant of Option. Such remittance is not refundable in any circumstances. The Offer shall specify the terms on which the Option is to be granted. Such terms may at the discretion of the Board, include among other things, (i) the minimum period for which an Option must be held before it can be exercised; and/or (ii) a performance target that must be reached before the Option can be exercised in whole or in part; and (iii) any other terms, all of which may be imposed (or not imposed) either on a case-by-case basis or generally.

**(C) GRANT OF OPTIONS TO CONNECTED PERSONS OR ANY OF THEIR ASSOCIATES**

Any grant of Options to any Director, chief executive or substantial shareholder (as such term as defined in the Listing Rules) of the Company, or any of their respective associates under the New Share Option Scheme or any other share option schemes of the Company or any of its Subsidiaries shall be subject to the prior approval of the independent non-executive Directors (excluding independent non-executive Directors who are the proposed Grantees of the Options in question). Where any grant of Options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled or outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue on the date of such grant; and
- (ii) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the Date of Grant, in excess of HK\$5 million,

such further grant of Options shall be subject to prior approval by resolution of the Shareholders (voting by way of poll). The Company shall send a circular to the Shareholders in accordance with the Listing Rules and all connected persons of the Company shall abstain from voting in favour of the resolution at such general meeting of the Shareholders.

**(D) SUBSCRIPTION PRICE**

The Subscription Price shall be determined by the Board in its absolute discretion but in any event shall not be less than the highest of:

- (i) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the Date of Grant which must be a Business Day;
- (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five (5) Business Days immediately preceding the Date of Grant; and
- (iii) the nominal value of the Shares.

**(E) MAXIMUM NUMBER OF SHARES AVAILABLE FOR SUBSCRIPTION**

- (i) The maximum number of Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme and any other share option schemes of the Company shall not, in the absence of Shareholders' approval, in aggregate exceed 10 per cent. in nominal amount of the aggregate of Shares in issue on the Adoption Date (the "Scheme Mandate Limit"). Options lapsed in accordance with the terms of the New Share Option Scheme and (as the case may be) such other share option schemes of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit.
- (ii) The Company may renew the Scheme Mandate Limit at any time subject to prior Shareholders' approval but in any event, the total number of Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme and any other options to be granted under any other share option schemes of the Company under the limit as refreshed must not exceed 10% of the Shares in issue as at the date of approval of the renewed limit. Options previously granted under the New Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with the terms or exercised options) will not be counted for the purpose of calculating the limit as renewed.
- (iii) Notwithstanding the foregoing, the Company may grant Options beyond the Scheme Mandate Limit to Participants if:
  - (1) separate Shareholders' approval has been obtained for granting Options beyond the Scheme Mandate Limit to Participants specifically identified by the Company before such Shareholders' approval is sought; and
  - (2) the Company, in connection with the seeking of such separate Shareholders' approval, has first sent a circular to Shareholders containing such information as may be required by the Listing Rules then prevailing to be included in such circular.

- (iv) Subject to paragraph (v) below, the maximum number of Shares issued and to be issued upon exercise of the Options granted to each Grantee under the New Share Option Scheme (including both exercised and outstanding Options) in any 12-month period shall not (when aggregated with any Shares subject to options granted during such period under any other share option scheme(s) of the Company other than those options granted pursuant to specific approval by the Shareholders in a general meeting) exceed 1% of the Shares in issue for the time being (the “Individual Limit”).
- (v) Where any further grant of Options to a Participant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by Shareholders in general meeting with such Participant and his associates abstaining from voting. The Company must send a circular to the Shareholders disclosing the identity of the Participant in question, the number and terms of the Options to be granted (and Options previously granted to such Participant) and such other information required under the Listing Rules.
- (vi) At any time, the maximum number of Shares which may be issued upon exercise of all Options which then have been granted and have yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company shall not, in the absence of Shareholders’ approval, in aggregate exceed 30% of the Shares in issue from time to time.

The Options do not carry any right to vote in general meeting of the Company, or any right, dividend, transfer or any other rights, including those arising on the liquidation of the Company.

**(F) TIME OF EXERCISE OF OPTION**

Subject to the terms of the New Share Option Scheme and any restrictions or conditions on the exercise of the relevant Options as the Board may determine at the time of making the relevant Offer, an Option may be exercised at any time during the Option Period in accordance with the terms of the New Share Option Scheme. The Option Period shall be determined and notified by the Board to the Grantee at the time of making an offer which shall not expire later than ten (10) years from the Date of Grant.

**(G) RIGHTS ARE PERSONAL TO GRANTEES**

An Option shall be personal to the Grantee and shall not be assignable or transferable and no Grantee shall in any way sell, transfer, assign, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to any Option. Any breach of the foregoing by the Grantee shall entitle the Company to cancel any outstanding Option or any part thereof granted to such Grantee to the extent not already exercised without incurring any liability on the part of the Company.

**(H) RIGHTS ON CEASING TO BE A PARTICIPANT OR ON DEATH**

- (i) In the event of the Grantee ceasing to be a Participant for any reason other than his or her ill-health, injury or disability (all evidenced to the satisfaction of the Board) or death or termination of his or her employment or engagement or cessation of his or her directorship on one or more of the grounds specified in paragraph (Q)(v) below, the Grantee may exercise the Option up to his or her entitlement at the date of cessation of his or her employment (to the extent not already exercised) on or before the earlier of (i) a period of six (6) months following the date of such cessation, which date shall be the last actual working day with or for the Group or the relevant Invested Entity whether salary or compensation is paid in lieu of notice or not (or such longer period as the Board may determine) or (ii) the expiry of the Option Period and the Board's decision in this regard shall be conclusive.
- (ii) In the event that the Grantee ceases to be a Participant by reason of ill-health, injury or disability (all evidenced to the satisfaction of the Board) or death and none of the events which would be a ground for termination of his or her employment or engagement or cessation of his or her directorship under paragraph (Q)(v) below has occurred, the Grantee or the legal personal representative(s) of the Grantee, as the case may be, shall be entitled to exercise the Option in full (to the extent not already exercised) on or before the earlier of (i) the last day in the 12-month period commencing from the date of his ceasing to be a Participant or death (or such longer period as the Board may determine) or (ii) the expiry of the Option Period.

**(I) WINDING-UP**

In the event a notice is given by the Company to its Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution for the voluntary winding-up of the Company, the Company shall forthwith give notice thereof to the Grantee and the Grantee (or his or her legal personal representative(s)) may by notice in writing to the Company accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given (such notice to be received by the Company not later than five (5) Business Days prior to the proposed Shareholders' meeting) exercise the Option (to the extent not already exercised) either to its full extent or to the extent specified in such notice and the Company shall as soon as possible and in any event no later than two (2) Business Days immediately prior to the date of the proposed Shareholders' meeting, allot and issue such number of Shares to the Grantee which falls to be issued on such exercise.

**(J) GENERAL OFFER**

If a general offer (whether by way of take-over offer, share repurchase offer, or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or in concert with the offeror), the Company shall use its reasonable endeavors to procure that such offer is extended to all Grantees (on the same terms, mutatis mutandis, and assuming that they shall become, by the exercise in full of the Options granted to them, Shareholders). If such offer having been approved in accordance with applicable laws and regulatory requirements becomes or is declared unconditional, the Grantee (or his or her legal representative(s)) shall be entitled to exercise the Option in full (to the extent not already exercised) at any time within fourteen (14) days after the date on which such general offer becomes, or is declared unconditional, provided that if, during such period, such person becomes entitled to exercise rights of compulsory acquisition of Shares pursuant to the Companies Ordinance and gives notice in writing to any holder of Shares that he or she intends to exercise such rights, Options (to the extent not already exercised) shall be and remain exercisable until one (1) month from the date of such notice and, to the extent that they have not been exercised shall thereupon lapse and determine.



**(K) COMPROMISE OR ARRANGEMENT WITH MEMBERS OR CREDITORS**

If, pursuant to the Companies Ordinance, a compromise or arrangement between the Company and its members and/or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to all the Grantee (together with a notice of the exercise of the provisions of this paragraph) on the same day as it despatches to members and/or creditors of the Company a notice summoning the meeting to consider such a compromise or arrangement, and thereupon each Grantee shall be entitled to exercise all or any of his or her Options in whole or in part at any time prior to 12 noon (Hong Kong time) on the Business Day immediately preceding the date of the meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there are more than one meeting for such purpose, the date of the first meeting. With effect from the date of such meeting, the rights of all Grantees to exercise their respective Options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all Options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavour to procure that the Shares issued as a result of the exercise of Options under this paragraph shall for the purposes of such compromise or arrangement form part of the issued share capital of the Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the relevant court (whether upon the terms presented to the relevant court or upon any other terms presented to the relevant court or upon any other terms as may be approved by such court) the rights of the Grantees to exercise their respective Options shall with effect from the date of the making of the order by relevant court be restored in full as if such compromise or arrangement had not been proposed by the Company and no claim shall lie against the Company or any of its officers for any loss or damage sustained by any Grantee as a result of the aforesaid suspension.

**(L) EFFECT OF ALTERATIONS TO SHARE CAPITAL**

In the event of an alteration in the capital structure of the Company, whilst any Option remains exercisable by way of capitalisation of profits or reserves, bonus issue, rights issue, open offer, subdivision or consolidation of shares, or reduction of the share capital of the Company in accordance with legal requirements and requirements of the Stock Exchange (other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company is a party), such corresponding adjustments (if any) shall be made to:

- (i) the number or nominal amount of Shares subject to the Option so far as unexercised; or
- (ii) the Subscription Price,

or any combination thereof, provided that:

- (a) any such adjustments give a Grantee the same proportion of the equity capital of the Company as that to which that Grantee was previously entitled; and
- (b) notwithstanding paragraph (L)(a) above, any adjustments as a result of an issue of securities with a price-dilutive element, such as a rights issue, open offer or capitalisation issue, should be based on a scrip factor similar to the one used in accounting standards in adjusting the earnings per share figures (referred to in Hong Kong Accounting Standards 33) and the acceptable adjustments set out in the Supplementary Guidance on Rule 17.03(3) of the Listing Rules issued by the Stock Exchange on 5 September 2005;

but no such adjustments shall be made to the extent that a Share would be issued at less than its nominal value. In respect of any such adjustments, the Company shall engage the auditors of the Company or a financial advisor to certify in writing, either generally or as regards any particular Grantee that the adjustments made by the Company satisfy the requirements in paragraphs (L)(a) and (L)(b) above.

**(M) RANKING OF SHARES**

The Shares to be allotted upon the exercise of an Option shall be subject to all the provisions of the memorandum and articles of association of the Company for the time being in force and shall rank *pari passu* in all respects with the existing fully paid Shares in issue on the date on which those Shares are allotted on exercise of the Option and accordingly shall entitle the holders to participate in all dividends or other distributions paid or made after the date on which the Shares are allotted other than any dividends or distributions previously declared or recommended or resolved to be paid or made if the record date thereof shall be on or before the date on which the Shares are allotted.

**(N) PERIOD OF THE NEW SHARE OPTION SCHEME**

Subject to paragraph (R) below, the New Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date.

**(O) ALTERATIONS TO THE NEW SHARE OPTION SCHEME**

- (i) Those specific provisions of the New Share Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of Participants without the prior approval of Shareholders in general meeting.
- (ii) Changes to the authority of the Board in relation to any alteration of the terms of the New Share Option Scheme shall not be made, without the prior approval of Shareholders in general meeting.
- (iii) Any alterations to the terms and conditions of the New Share Option Scheme which are of a material nature, or any change to the terms of Options granted, must also, to be effective, be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the New Share Option Scheme. The New Share Option Scheme so altered must comply with Chapter 17 of the Listing Rules.

**(P) CONDITIONS OF THE NEW SHARE OPTION SCHEME**

The New Share Option Scheme shall take effect subject to:

- (i) the passing of the resolution by the Shareholders to approve and adopt the New Share Option Scheme and to authorise the Board to grant Options thereunder and to allot and issue Shares pursuant to the exercise of any Options; and
- (ii) the Listing Committee as defined in the Listing Rules of the Stock Exchange granting the approval of the listing of, and permission to deal in, the Shares which fall to be issued pursuant to the exercise of any Options (subject to an initial limit of 10% of the aggregate number of Shares in issue on the date of such Shareholders' resolution to approve and adopt the New Share Option Scheme).

**(Q) LAPSE OF OPTION**

An Option shall lapse automatically and shall not be exercisable, to the extent not already exercised, on the earliest of:

- (i) the expiry of the Option Period subject to the provisions of the New Share Option Scheme;
- (ii) the expiry of any of the periods referred to in paragraphs (H) and (J) above;
- (iii) the date of commencement of the winding-up of the Company as determined in accordance with the applicable law as referred to in paragraph (I) above;
- (iv) the date on which the scheme for the reconstruction of the Company or its amalgamation with any other company or companies, becomes effective as referred to in paragraph (K) above;

- (v) the date on which the Grantee (if an employee or director of the Company or any member of the Group or any Invested Entity) ceases to be a Participant by reason of the termination of his employment or directorship on the grounds that he has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has committed any act of bankruptcy or has become insolvent or has made any arrangements or compromise with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or on any other grounds on which an employer would be entitled to terminate his employment summarily. A resolution of the Board or the board of directors of the relevant Subsidiary or the relevant Invested Entity to the effect that the employment of a Grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive and binding on the Grantee, and where appropriate, his legal representative(s);
- (vi) the date on which the Grantee ceases to be a Participant on or after committing any act of bankruptcy or becoming insolvent or making any arrangements or composition with his/her creditors generally;
- (vii) the date on which the Board exercises the Company's right to cancel the Option at any time after the Grantee commits a breach of paragraph (G) above; and
- (viii) in case of a Grantee who is a vendor, supplier of goods and services or customer of or to any member of the Group or the relevant Invested Entity, in accordance with the terms of the relevant engagement or agreements between such persons and the relevant member of the Group or the relevant Invested Entity (as case may be).

**(R) TERMINATION OF THE NEW SHARE OPTION SCHEME**

The Company by ordinary resolution in general meeting or the Board may at anytime terminate the New Share Option Scheme and in such event no further Options may be granted but in all other respects the New Share Option Scheme shall remain in full force and effect in respect of Options which are granted during the life of the New Share Option Scheme and which remain unexpired immediately prior to termination of the operation of the New Share Option Scheme.

**(S) RESTRICTION ON GRANT OF OPTION**

In addition, a grant of Options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published in the newspapers or otherwise in accordance with the relevant provisions of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of:

- (i) the date of the meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement, no Option may be granted.

**(T) CANCELLATION**

- (i) Any Options granted but not exercised may be cancelled if the Grantee of the relevant Options so agrees.
- (ii) Where the Company cancels Options and issues new ones to the same Grantee, the issue of such new options may only be made under a scheme with available unissued Shares (excluding the Shares which were the subject of cancelled options) under the Scheme Mandate Limit.

**(U) PRESENT STATUS OF THE NEW SHARE OPTION SCHEME**

As at the date of this circular, no Option has been granted or agreed to be granted pursuant to the New Share Option Scheme.

The proposed amendments to the Articles are set out below:

**1. ARTICLE 2**

By adding the following new definition of “substantial shareholder” immediately before the definition of “the register”:

“substantial shareholder” shall mean a person who is entitled to exercise, or to control the exercise of, 10% or more (or such other percentage as may be prescribed by the Listing Rules from time to time) of the voting power at any general meeting of the Company;

By inserting the words “or stored in any electronic form (including an electronic communication)” to the end of the definition for “writing” or “printing”.

**2. ARTICLE 67**

By deleting the existing Article 67 in its entirety and substituting it with the following as the new Article 67:

“An annual general meeting shall be called by notice in writing of at least twenty-one days or twenty business days (whichever is longer). A meeting called for the passing of a special resolution shall be called by notice in writing of at least twenty-one days or ten business days (whichever is longer). A meeting of the Company other than an annual general meeting or a meeting for the passing of a special resolution shall be called by notice in writing of at least fourteen days or ten business days (whichever is longer). The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the place, the day and the hour of meeting and, in case of special business, the general nature of that business, and shall be given, in manner hereinafter mentioned or in such other manner, if any, as may be prescribed by the Company in general meeting, to such persons as are, under these Articles, entitled to receive such notices from the Company, provided that subject to the provisions of the Companies Ordinance, a meeting of the Company shall notwithstanding that it is called by shorter notice than that specified in this Article be deemed to have been duly called if it so agreed:—

- (i) in the case of a meeting called as the annual general meeting, by all the members entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent. in nominal value of the shares giving that right.”.

**3. ARTICLE 80**

By adding the following sentence to the end of the existing Article 80:

“Where any shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.”.

**4. ARTICLE 101**

By deleting the words “a special” in the first line of the existing Article 101(A)(vii) and substituting it with the words “an ordinary”.

**5. ARTICLE 102**

By deleting the existing Articles 102(E)(v), 102(F) and 102(G) and substituting each of them with the words “Intentionally Deleted”.

**6. ARTICLE 107**

By adding the following sentence to the end of existing Article 107:

“The period for lodgment of the notices referred to above shall commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting.”

**7. ARTICLE 109**

By deleting the word “special” in the first line of the existing Article 109 and substituting it with the word “ordinary”.

**8. ARTICLE 134**

By adding the following sentence to the end of existing Article 134:

“Notwithstanding the foregoing, a resolution in writing shall not be passed in lieu of a meeting of the Board for the purposes of considering any matter or business in which a substantial shareholder of the Company or a Director has a conflict of interest and the Board has determined that such conflict of interest to be material.”.



**9. ARTICLE 163**

By adding the following as the new Article 163(C):

“The requirement to send to a person referred to in Article 163(B) a copy of every balance sheet (including every document required by law to be annexed thereto) and profit and loss account which is to be laid before the Company in general meeting, together with a copy of the Directors’ report and a copy of the Auditors’ report, shall be deemed satisfied where, in accordance with the Companies Ordinance and all other applicable legislation and the Listing Rules, the Company publishes such documents on the Company’s website or in any other permitted manner (including sending by any form of electronic communication), and that person has, in accordance with the Companies Ordinance and all other applicable legislation and the Listing Rules, agreed or is deemed to have agreed to treat the publication or receipt of such documents in such manner as discharging the Company’s obligation to send to him a copy of such documents.”.

**10. ARTICLE 167**

By deleting the words “a computer network” on the 7th line of the existing Article 167A and substituting with the words “the Company’s website or by such other means as may be permitted under the Companies Ordinance, the Listing Rules and other applicable laws, rules and regulations”; and

By deleting the existing Article 167A(vi) and substituting the following as the new Article 167A(vi):

“by publishing it on the Company’s website.”.

**11. ARTICLE 169**

By deleting the existing Article 169(ii) and substituting the following as the new Article 169 (ii):

“if sent as an electronic communication, shall be deemed to have been served at the time as prescribed by the Companies Ordinance and other applicable laws, rules and regulations;”;  
and

By deleting the existing Article 169(iii) and substituting the following as the new Article 169 (iii):

“if published on the Company’s website, shall be deemed to have been served at the time prescribed by the Companies Ordinance and other applicable laws, rules and regulations.”.

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## NOTICE OF ANNUAL GENERAL MEETING

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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)

**NOTICE IS HEREBY GIVEN** that the annual general meeting of CAPITAL ESTATE LIMITED (the “Company”) will be held at Empire Room 1, M/Floor, Empire Hotel Hong Kong Wanchai, 33 Hennessy Road, Wan Chai, Hong Kong, on Friday, 7th December, 2012 at 3:00 p.m. for the following purposes:

#### **AS ORDINARY BUSINESS**

1. To receive and consider the report of the directors, audited financial statements and auditors’ report for the year ended 31st July, 2012;
2. To re-elect retiring directors and to authorise the board of directors to fix the remuneration of the directors; and
3. To re-appoint auditors and to authorise the board of directors to fix the remuneration of the auditors.

#### **AS SPECIAL BUSINESS**

4. To consider and, if thought fit, pass with or without modifications, the following resolution as an ordinary resolution of the Company:

“**THAT:**

- (a) subject to paragraph (c) below, the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to purchase issued shares of HK\$0.1 each in the capital of the Company subject to and in accordance with all applicable laws and requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time be and is hereby generally and unconditionally approved;

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## NOTICE OF ANNUAL GENERAL MEETING

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- (b) the approval in paragraph (a) shall be in addition to any other authorisation given to the directors of the Company and shall authorise the directors on behalf of the Company during the Relevant Period to procure the Company to purchase its shares at a price determined by the directors;
- (c) the aggregate nominal amount of the shares which are authorised to be purchased by the directors of the Company pursuant to the approval in paragraph (a) shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this resolution, and the said approval shall be limited accordingly; and
- (d) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the Company’s articles of association to be held; or
- (iii) the date upon which the authority set out in this resolution is revoked or varied by way of ordinary resolution of the Company in general meeting.”

5. To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

**“THAT:**

- (a) subject to paragraph (c) below, the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such powers be and is hereby generally and unconditionally approved;

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## NOTICE OF ANNUAL GENERAL MEETING

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- (b) the approval in paragraph (a) shall be in addition to any other authorisation given to the directors of the Company and shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of the share capital of the Company allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to:
  - (i) a Rights Issue (as hereinafter defined); or
  - (ii) an issue of Shares upon the exercise of rights of subscription or conversion attaching to any warrants issued by the Company or any securities which are convertible into Shares, the issue of which warrants and other securities has previously been approved by shareholders of the Company; or
  - (iii) an issue of Shares upon the exercise of any options granted under any share option scheme or similar arrangement for the time being adopted for the grant or issue to eligible persons of Shares or rights to acquire Shares; or
  - (iv) an issue of Shares as scrip dividends or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of the Company,

shall not in total exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution and the said approval shall be limited accordingly; and

- (d) for the purposes of this resolution:

“Relevant Period” shall have the same meaning as that ascribed to it under resolution no. 4 as set out in the notice convening the meeting of which this resolution forms part; and

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“Rights Issue” means an offer of Shares or an offer of warrants, options or other securities giving rights to subscribe for Shares, open for a period fixed by the directors of the Company to holders of Shares or any class thereof whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such Shares or any class thereof (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory outside Hong Kong).”

6. To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

“**THAT** conditional upon the passing of the resolutions nos. 4 and 5 as set out in the notice convening the meeting of which these resolutions form part, the general mandate granted to the directors of the Company pursuant to the resolution no. 5 as set out in the notice convening the meeting of which this resolution forms part be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of share capital of the Company purchased by the Company under the authority granted pursuant to the resolution no. 4 as set out in the notice convening the meeting of which this resolution forms part, provided that such amount shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution.”

7. To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

(A) “**THAT** subject to the passing of ordinary resolution 7(B) as set out in the notice convening this meeting and conditional upon the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Shares falling to be issued pursuant to the share option scheme (the “New Share Option Scheme”), the terms of which are set out in the document marked “A” which has been produced to this meeting and signed by the chairman of this meeting for the purpose of identification, the rules of the New Share Option Scheme be and are hereby approved and adopted and the directors of the Company be and are hereby authorised to grant options and to allot, issue and deal with Shares pursuant to the exercise of any option granted thereunder and to take all such steps as they may consider necessary or expedient to implement the New Share Option Scheme.”

(B) “**THAT** subject to the passing of ordinary resolution 7(A) as set out in the notice convening this meeting, the existing share option scheme of the Company adopted by the Company on 20 December 2002 (the “Existing Share Option Scheme”) be and is hereby terminated with immediate effect but in all other respects the Existing Share Option Scheme shall remain in full force and effect and options granted thereunder prior to such termination shall continue to be valid and exercisable in accordance with their terms of issue.”

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## NOTICE OF ANNUAL GENERAL MEETING

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8. To consider and, if thought fit, pass the following resolution as a special resolution of the Company:

- (A) “**THAT** the following amendments to the Articles of Associations be and are hereby approved:

(i) **Article 2**

By adding the following new definition of “substantial shareholder” immediately before the definition of “the register”:

“substantial shareholder” shall mean a person who is entitled to exercise, or to control the exercise of, 10% or more (or such other percentage as may be prescribed by the Listing Rules from time to time) of the voting power at any general meeting of the Company;

By inserting the words “or stored in any electronic form (including an electronic communication)” to the end of the definition for “writing” or “printing” .

(ii) **Article 67**

By deleting the existing Article 67 in its entirety and substituting it with the following as the new Article 67:

“An annual general meeting shall be called by notice in writing of at least twenty-one days or twenty business days (whichever is longer). A meeting called for the passing of a special resolution shall be called by notice in writing of at least twenty-one days or ten business days (whichever is longer). A meeting of the Company other than an annual general meeting or a meeting for the passing of a special resolution shall be called by notice in writing of at least fourteen days or ten business days (whichever is longer). The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the place, the day and the hour of meeting and, in case of special business, the general nature of that business, and shall be given, in manner hereinafter mentioned or in such other manner, if any, as may be prescribed by the Company in general meeting, to such persons as are, under these Articles, entitled to receive such notices from the Company, provided that subject to the provisions of the Companies

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## NOTICE OF ANNUAL GENERAL MEETING

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Ordinance, a meeting of the Company shall notwithstanding that it is called by shorter notice than that specified in this Article be deemed to have been duly called if it so agreed:-

- (i) in the case of a meeting called as the annual general meeting, by all the members entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent. in nominal value of the shares giving that right.”.

**(iii) Article 80**

By adding the following sentence to the end of the existing Article 80:

“Where any shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.”.

**(iv) Article 101**

By deleting the words “a special” in the first line of the existing Article 101(A)(vii) and substituting it with the words “an ordinary”.

**(v) Article 102**

By deleting the existing Articles 102(E)(v), 102(F) and 102(G) and substituting each of them with the words “Intentionally Deleted”.

**(vi) Article 107**

By adding the following sentence to the end of existing Article 107:

“The period for lodgment of the notices referred to above shall commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting.”.

**(vii) Article 109**

By deleting the word “special” in the first line of the existing Article 109 and substituting it with the word “ordinary”.

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## NOTICE OF ANNUAL GENERAL MEETING

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**(viii) Article 134**

By adding the following sentence to the end of existing Article 134:

“Notwithstanding the foregoing, a resolution in writing shall not be passed in lieu of a meeting of the Board for the purposes of considering any matter or business in which a substantial shareholder of the Company or a Director has a conflict of interest and the Board has determined that such conflict of interest to be material.”.

**(ix) Article 163**

By adding the following as the new Article 163(C):

“The requirement to send to a person referred to in Article 163(B) a copy of every balance sheet (including every document required by law to be annexed thereto) and profit and loss account which is to be laid before the Company in general meeting, together with a copy of the Directors’ report and a copy of the Auditors’ report, shall be deemed satisfied where, in accordance with the Companies Ordinance and all other applicable legislation and the Listing Rules, the Company publishes such documents on the Company’s website or in any other permitted manner (including sending by any form of electronic communication), and that person has, in accordance with the Companies Ordinance and all other applicable legislation and the Listing Rules, agreed or is deemed to have agreed to treat the publication or receipt of such documents in such manner as discharging the Company’s obligation to send to him a copy of such documents.”.

**(x) Article 167**

By deleting the words “a computer network” on the 7th line of the existing Article 167A and substituting with the words “the Company’s website or by such other means as may be permitted under the Companies Ordinance, the Listing Rules and other applicable laws, rules and regulations”; and

By deleting the existing Article 167A(vi) and substituting the following as the new Article 167A(vi):

“by publishing it on the Company’s website.”.



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## NOTICE OF ANNUAL GENERAL MEETING

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(xi) **Article 169**

By deleting the existing Article 169(ii) and substituting the following as the new Article 169 (ii):

“if sent as an electronic communication, shall be deemed to have been served at the time as prescribed by the Companies Ordinance and other applicable laws, rules and regulations;”; and

By deleting the existing Article 169(iii) and substituting the following as the new Article 169 (iii):

“if published on the Company’s website, shall be deemed to have been served at the time prescribed by the Companies Ordinance and other applicable laws, rules and regulations.”.

- (B) “**THAT** subject to the passing of the special resolution numbered 8(A) above, a new set of amended and restated Articles of Association of the Company which consolidates all of the proposed amendments referred to in the special resolution numbered 8(A) above, a copy of which has been tabled at the meeting and marked “B” and signed by the chairman of the meeting for identification purpose, be and is hereby adopted as the new Articles of Association of the Company in substitution for and to the exclusion of the existing Articles of Association of the Company with immediate effect.”

By order of the Board of  
**CAPITAL ESTATE LIMITED**  
**Sio Tak Hong**  
*Chairman*

Hong Kong, 5th November, 2012

*Registered office:*

17th Floor  
Asia Orient Tower, Town Place  
33 Lockhart Road  
Wan Chai  
Hong Kong

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## NOTICE OF ANNUAL GENERAL MEETING

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*Notes:*

1. A form of proxy for use at the meeting is enclosed herewith.
2. 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 its seal or under the hand of an officer or attorney duly authorised.
3. Any shareholder of the Company entitled to attend and vote at the meeting convened by the above notice shall be entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for holding of the above meeting or any adjournment thereof.
5. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the meeting convened or at any adjourned meeting and in such event, the form of proxy will be deemed to be revoked.
6. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote, in respect thereof.

*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.*