
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offer, this Composite Document and/or the accompanying Form of Acceptance or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in Capital Estate Limited, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or the transferee(s) or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

Notice to Australian Shareholders: this Offer is made to Shareholders with registered addresses in Australia ("Australian Shareholders") in reliance on ASIC Corporations (Unsolicited Offers – Foreign Bids) Instrument 2015/1070. This Composite Document may not include information required by Division 5A of Part 7.9 of the Corporations Act 2001 (Cth), which regulates the making of unsolicited offers to purchase securities in Australia, and which requires that such offers set out in a clear, concise and effective manner certain information. Any Australian Shareholder in doubt as to whether or not to accept the Offer should seek professional advice.

This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms and conditions of the Offer contained herein.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Form of Acceptance, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form of Acceptance.

This Composite Document is not for release, publication or distribution, in whole or in part, in, into or from any jurisdiction where to do so would constitute a violation of the applicable laws or regulations of such jurisdiction. This Composite Document appears for information purposes only and is not intended to and does not constitute, or form part of, an invitation or offer to acquire, purchase, or subscribe for any securities of Capital Estate Limited or the solicitation of any vote or approval in any jurisdiction, nor shall there be any sale, issuance or transfer of securities of the Company in any jurisdiction in contravention of applicable laws or regulations.



CEDARWOOD VENTURES LIMITED
(Incorporated in the British Virgin Islands with limited liability)

CAPITAL ESTATE LIMITED
冠中地產有限公司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 193)

COMPOSITE OFFER AND RESPONSE DOCUMENT IN RELATION TO THE MANDATORY UNCONDITIONAL CASH OFFER BY SOMERLEY CAPITAL LIMITED FOR AND ON BEHALF OF CEDARWOOD VENTURES LIMITED TO ACQUIRE ALL THE ISSUED SHARES IN CAPITAL ESTATE LIMITED (OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO BE ACQUIRED BY CEDARWOOD VENTURES LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

Financial Adviser to the Offeror



SOMERLEY CAPITAL LIMITED

Independent Financial Adviser to the Independent Board Committee



華富建業企業融資
QUAM CAPITAL

Unless the context requires otherwise, terms used in this Composite Document (including this cover page) shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from Somerley containing, among other things, details of the terms of the Offer is set out on pages 6 to 14 of this Composite Document.

A letter from the Board is set out on pages 15 to 21 of this Composite Document. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the Offer is set out on pages 22 to 23 of this Composite Document. A letter from Quam Capital Limited, being the Independent Financial Adviser to the Independent Board Committee, containing its advice to the Independent Board Committee in respect of the Offer is set out on pages 24 to 46 of this Composite Document.

The procedures for acceptance and settlement of the Offer and other related information are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance. The Form of Acceptance of the Offer should be received by the Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and in any event no later than 4:00 p.m. (Hong Kong time) on Wednesday, 27 November 2024 or such later time and/or the date as the Offeror may determine and the Offeror and the Company may jointly announce, with the consent of the Executive, in accordance with the requirements under the Takeovers Code.

Shareholders should inform themselves of and observe any applicable legal, tax or regulatory requirements set out in the "Important Notice" section of this Composite Document. Any persons including, without limitation, custodians, nominees and trustees who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Acceptance to any jurisdictions outside Hong Kong should read the details in this regard which are contained in the section headed "Overseas Shareholders" in the letter from Somerley contained in this Composite Document and Appendix I to this Composite Document before taking any action. It is the sole responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection therewith, including but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required or the compliance with other necessary formalities, regulatory and/or legal requirements and the payment of any transfer or other taxes or other required payments due by such Overseas Shareholders in respect of such jurisdictions. Overseas Shareholders are advised to seek professional advice on deciding whether to accept the Offer.

This Composite Document will remain on the websites of the Stock Exchange at <http://www.hkexnews.hk> and the Company at <http://www.capitalestate.com.hk> as long as the Offer remains open. This Composite Document is issued jointly by the Offeror and the Company. The English language text of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese text for the purpose of interpretation in case of any inconsistency.

6 November 2024

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EXPECTED TIMETABLE

The expected timetable set out below is indicative only and may be subject to changes. Further announcement(s) will be jointly made by the Offeror and the Company in the event of any changes to the timetable as and when appropriate.

Unless otherwise specified, all references to times and dates in this Composite Document and the Form of Acceptance are to Hong Kong times and dates.

Event	Time and Date
Date of despatch of this Composite Document and the accompanying Form of Acceptance and commencement date of the Offer (<i>Note 1</i>)	Wednesday, 6 November 2024
Latest time and date for acceptance of the Offer on the Closing Date (<i>Notes 2, 3 and 5</i>)	4:00 p.m. on Wednesday, 27 November 2024
Closing Date (<i>Notes 3 and 5</i>)	Wednesday, 27 November 2024
Announcement of the results of the Offer as at the Closing Date (or its extension or revision, if any) to be posted on the websites of the Stock Exchange and the Company (<i>Notes 3 and 5</i>)	By 7:00 p.m. on Wednesday, 27 November 2024
Latest date for posting of remittances for the amount due in respect of valid acceptances received under the Offer (<i>Notes 4 and 5</i>)	Friday, 6 December 2024

Notes:

- (1) The Offer, which is unconditional in all respects, is made on the date of posting of this Composite Document, and is capable of acceptance on and from that date until 4:00 p.m. on the Closing Date unless the Offeror revises or extends the Offer in accordance with the Takeovers Code.
- (2) Beneficial owners of Shares who hold their Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (as set out in the section headed “1. Procedures for Acceptance of the Offer” in Appendix I to this Composite Document) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures. Acceptances of the Offer are irrevocable and are not capable of being withdrawn, except in the circumstances as set out in the section headed “6. Right of Withdrawal” in Appendix I to this Composite Document.

EXPECTED TIMETABLE

- (3) In accordance with the Takeovers Code, the Offer must initially be open for acceptance for at least 21 days after the date of this Composite Document. The latest time and date for acceptance of the Offer is at 4:00 p.m. on the Closing Date unless the Offeror decides to revise or extend the Offer in accordance with the Takeovers Code. An announcement will be jointly issued by the Company and the Offeror through the website of the Stock Exchange by 7:00 p.m. on the Closing Date stating the results of the Offer and whether the Offer has been revised or extended. In the event that the Offeror decides to extend the Offer, the joint announcement will state the next closing date of the Offer or that the Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing, by way of an announcement, will be given, before the Offer is closed, to those Independent Shareholders who have not accepted the Offer.
- (4) Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty in respect of acceptances of the Offer) payable for the Offer Shares tendered under the Offer will be posted to the Independent Shareholder(s) accepting the Offer by ordinary post at their own risk as soon as possible, but in any event no later than seven (7) Business Days after the date of receipt by the Registrar of duly completed Form of Acceptance and all the relevant documents of title of the Offer Shares required to render the acceptance under the Offer complete and valid in accordance with the Takeovers Code.
- (5) If there is a tropical cyclone warning signal number 8 or above or "extreme conditions" or a "a black rainstorm warning signal" as issued by the Hong Kong Observatory and/or the Government of Hong Kong (collectively, "severe weather conditions") on any of the following deadlines ("Key Deadlines"): (a) the Closing Date and the latest time for acceptance of the Offer and the submission and publication deadline for a closing announcement under Rule 19.1 of the Takeovers Code; and (b) the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances,
- (i) in case any severe weather condition is in force in Hong Kong at any local time before 12:00 noon but no longer in force at 12:00 noon and/or thereafter on any Key Deadline, such Key Deadline will remain on the same Business Day; or
 - (ii) in case any severe weather condition is in force in Hong Kong at any local time at 12:00 noon and/or thereafter on any Key Deadline, such Key Deadline will be rescheduled to the following Business Day which does not have any of those warnings or conditions in force in Hong Kong at any time at 12:00 noon and/or thereafter or such other day as the Executive may approve in accordance with the Takeovers Code.

Save as mentioned above, if the latest time for the acceptance of the Offer does not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and the Company will notify the Independent Shareholders by way of joint announcement(s) on any change to the expected timetable as soon as practicable.

IMPORTANT NOTICE

NOTICE TO OVERSEAS SHAREHOLDERS

The making of the Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or limited by the laws or regulations of the relevant jurisdictions. Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek independent legal advice. It is the sole responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due from the accepting Overseas Shareholders in respect of such jurisdictions).

Any acceptance of the Offer by any Overseas Shareholder will be deemed to constitute a representation and warranty from such Overseas Shareholder to the Offeror that the local laws and regulations in which the Overseas Shareholder is located have been complied with. Overseas Shareholders should consult their professional advisers if in doubt.

The Offeror, parties acting in concert with the Offeror, the Company, Somerley, the Independent Financial Adviser, the Registrar, the company secretary of the Company or any of their respective ultimate beneficial owners, directors, officers, agents, advisers and associates and any other person involved in the Offer shall be entitled to be fully indemnified and held harmless by the Overseas Shareholders for any taxes as such persons may be required to pay.

For further discussion, please refer to the section headed “Overseas Shareholders” in the Letter from Somerley and the section headed “7. Overseas Shareholders” in Appendix I to this Composite Document.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Composite Document contains forward-looking statements, which may be identified by words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “seek”, “estimate”, “will”, “would” or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. The forward-looking statements included herein are made only as at the Latest Practicable Date.

The Offeror and the Company assume no obligation and do not intend to update these forward-looking statements, except as required pursuant to applicable laws and regulations, including the Listing Rules and/or the Takeovers Code.

DEFINITIONS

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

“Acquisition”	the acquisition of a total of 42,172,000 Sale Shares by the Offeror from the Vendors pursuant to the terms and conditions of the Sale and Purchase Agreement
“acting in concert”	has the same meaning as ascribed to it under the Takeovers Code
“Announcement”	the joint announcement issued by the Offeror and the Company on 3 September 2024 in relation to, among other things, the Offer
“associate(s)”	has the same meaning as ascribed to it under the Takeovers Code
“Board”	the board of Directors
“Business Day(s)”	a day on which the Stock Exchange is open for the transaction of business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Operational Procedures”	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time in force
“Closing Date”	27 November 2024, being the closing date of the Offer, which is 21 days after the date of this Composite Document, or if the Offer is extended, any subsequent closing date of the Offer as may be determined by the Offeror and jointly announced by the Offeror and the Company in accordance with the Takeovers Code
“Company”	Capital Estate Limited, a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 193)
“Completion”	completion of the Acquisition pursuant to the Sale and Purchase Agreement

DEFINITIONS

“Composite Document”	this composite offer and response document jointly issued by the Offeror and the Company to all Shareholders in connection with the Offer in accordance with the Takeovers Code containing, among other things, the terms of the Offer, the letter of advice from the Independent Financial Adviser to the Independent Board Committee in relation to the Offer, the letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Offer and the Form of Acceptance
“Director(s)”	the director(s) of the Company from time to time
“Encumbrances”	any mortgage, charge, pledge, lien, assignment, option, restriction, retention of title, negative pledge, right of pre-emption, right of first refusal, third party right or interest, other encumbrance or security interest of any kind or other preferential arrangement having similar effect together with any obligation (including any conditional obligation) to create the same
“Executive”	the executive director of the Corporate Finance Division of the SFC from time to time and any delegate of such executive director
“Form of Acceptance”	the form of acceptance and transfer of Shares in respect of the Offer
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Observatory”	a government department of Hong Kong responsible for monitoring and forecasting weather, as well as issuing warnings on weather-related hazards

DEFINITIONS

“Independent Board Committee”	the independent committee of the Board, comprising all four (4) independent non-executive Directors (namely (i) Mr. Hung Ka Hai, Clement, (ii) Mr. Yeung Chi Wai, (iii) Mr. Wong Kwong Fat and (iv) Mr. Chan Shu Yan, Stephen), which has been established to advise the Independent Shareholders in respect of the Offer
“Independent Financial Adviser”	Quam Capital Limited, the independent financial adviser appointed by the Company for the purpose of advising the Independent Board Committee in respect of the Offer, which is a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“Independent Shareholders”	Shareholders other than the Offeror and parties acting in concert with it
“Kroll”	Kroll (HK) Limited, an independent property valuer
“Last Trading Day”	26 August 2024, being the last full trading day of the Shares on the Stock Exchange immediately prior to the date of the Announcement
“Latest Practicable Date”	1 November 2024, being the latest practicable date prior to the printing of this Composite Document for the purpose of ascertaining certain information contained in this Composite Document
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chu”	Mr. Chu Nin Yiu, Stephen, an executive Director and the chief executive officer of the Company, and a substantial shareholder of the Company immediately prior to the Completion
“Ms. Ali Sio”	Ms. Sio Lai Nga, being the non-executive Director and the sister of Ms. Lina Sio
“Ms. Lina Sio”	Ms. Sio Lai Na, being an executive Director and the chairlady of the Board, as well as the sole director and sole shareholder of the Offeror, and the controlling shareholder of the Company upon Completion

DEFINITIONS

“Offer”	the mandatory unconditional cash offer being made by Somerley for and on behalf of the Offeror to acquire all of the Offer Shares in accordance with the terms and conditions set out in this Composite Document and in compliance with the Takeovers Code
“Offer Period”	has the meaning ascribed to it in the Takeovers Code, which commenced on 3 September 2024, being the date of the Announcement, and which will end on the Closing Date
“Offer Price”	the price at which the Offer will be made in cash, being HK\$0.400 per Offer Share
“Offer Share(s)”	all the Share(s) in issue, other than those Shares already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it, that are subject to the Offer
“Offeror”	CEDARWOOD VENTURES LIMITED, being the purchaser under the Sale and Purchase Agreement and a company incorporated in the British Virgin Islands with limited liability, which is wholly and beneficially owned by Ms. Lina Sio
“Overseas Shareholder(s)”	holder(s) of Offer Share(s) whose address(es), as shown on the register of members of the Company, is/are outside Hong Kong
“Property Valuation Report”	the property valuation report of the Group prepared by Kroll which is set out in Appendix III to this Composite Document
“Registrar”	Computershare Hong Kong Investor Services Limited, being the share registrar and transfer office of the Company in Hong Kong
“Relevant Period”	the period commencing on 3 March 2024, being the date falling six months prior to 3 September 2024 (being the date of the Announcement and the date of commencement of the Offer Period), up to and including the Latest Practicable Date

DEFINITIONS

“Sale and Purchase Agreement”	the sale and purchase agreement dated 27 August 2024 and entered into amongst the Vendors, as vendors, and the Offeror, as purchaser, in relation to the Acquisition
“Sale Shares”	the 42,172,000 Shares sold by the Vendors in aggregate under the Sale and Purchase Agreement, representing approximately 21.700% of the total issued share capital of the Company as at the Latest Practicable Date
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Sommerley”	Sommerley Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Offeror in respect of the Offer
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervalve”	Supervalve Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and wholly and beneficially owned by Mr. Chu
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Vendors”	collectively, Supervalve and Mr. Chu
“%”	per cent.

LETTER FROM SOMERLEY



SOMERLEY CAPITAL LIMITED

20th Floor

China Building

29 Queen's Road Central

Hong Kong

6 November 2024

To the Independent Shareholders

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
SOMERLEY CAPITAL LIMITED FOR AND ON BEHALF OF
CEDARWOOD VENTURES LIMITED TO ACQUIRE ALL THE ISSUED
SHARES IN CAPITAL ESTATE LIMITED (OTHER THAN THOSE
ALREADY OWNED AND/OR AGREED TO BE ACQUIRED BY
CEDARWOOD VENTURES LIMITED AND PARTIES ACTING IN
CONCERT WITH IT)**

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Sale and Purchase Agreement and the Offer.

As mentioned in the Announcement, on 27 August 2024 (before trading hours), the Offeror and the Vendors entered into the Sale and Purchase Agreement, pursuant to which the Vendors had agreed to sell, and the Offeror had agreed to purchase, a total of 42,172,000 Sale Shares, free from Encumbrances, at an aggregate consideration of HK\$16,868,800.000, which is equivalent to HK\$0.400 per Sale Share. The Sale Shares represent approximately 21.700% of the total issued share capital of the Company as at the Latest Practicable Date.

Completion took place on the same date, being 27 August 2024. Immediately upon Completion and as at the Latest Practicable Date, the Offeror and the parties acting in concert with it held a total of 97,172,000 Shares, representing approximately 50.002% of the total issued share capital of the Company. The Offeror is therefore required under Rule 26.1 of the Takeovers Code to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it). Somerley is making the Offer on behalf of the Offeror.

LETTER FROM SOMERLEY

This letter forms part of this Composite Document and sets out, among other things, details of the Offer, information on the Offeror, and its intentions in relation to the Company. Further details on the terms and the procedures for acceptance of the Offer are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance. The Independent Shareholders are strongly advised to carefully consider the information contained in the “Letter from the Board”, the “Letter from the Independent Board Committee”, the “Letter from the Independent Financial Adviser”, the appendices to this Composite Document and the accompanying Form of Acceptance, and to consult their own professional advisers before reaching a decision as to whether or not to accept the Offer.

THE OFFER

Somerley, on behalf of the Offeror and pursuant to the Takeovers Code, is making the Offer on the following basis:

For each Offer Share HK\$0.400 in cash

The Offer Price of HK\$0.400 per Offer Share is equal to the purchase price per Sale Share paid by the Offeror under the Sale and Purchase Agreement.

As at the Latest Practicable Date, the Company has 194,337,559 Shares in issue and the Company does not have any outstanding options, warrants, derivatives or other securities which are convertible or exchangeable into the Shares.

The Offer will be extended to all Independent Shareholders in accordance with the Takeovers Code. The Offer Shares to be acquired under the Offer shall be fully paid and free from any Encumbrances together with all rights attaching to them, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made, being the date of the despatch of this Composite Document.

The Company confirms that as at the Latest Practicable Date, (i) it had not declared any dividend or any other distributions which is outstanding and not yet paid; and (ii) it did not have any intention to make, declare or pay any future dividend or make other distributions prior to the close of the Offer. Further details of the terms of the Offer and the procedures for acceptance are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

LETTER FROM SOMERLEY

The Offer Price

The Offer Price is the same as the purchase price per Sale Share payable by the Offeror under the Sale and Purchase Agreement.

The Offer Price of HK\$0.400 per Offer Share represents:

- (i) the closing price of HK\$0.400 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 48.148% over the closing price of HK\$0.270 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 45.985% over the average closing price of approximately HK\$0.274 per Share based on the daily closing prices as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a premium of approximately 44.404% over the average closing price of approximately HK\$0.277 per Share based on the daily closing prices as quoted on the Stock Exchange for the ten (10) consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a premium of approximately 32.013% over the average closing price of approximately HK\$0.303 per Share based on the daily closing prices as quoted on the Stock Exchange for the thirty (30) consecutive trading days immediately prior to and including the Last Trading Day;
- (vi) a discount of approximately 90.555% to the audited consolidated net assets attributable to owners of the Company per Share of approximately HK\$4.235 as at 31 July 2024, which was calculated based on the Group's latest published audited consolidated net assets attributable to owners of the Company of approximately HK\$823,048,000 as at 31 July 2024 and a total of 194,337,559 Shares in issue as at the Latest Practicable Date; and
- (vii) a discount of approximately 91.825% to the adjusted unaudited consolidated net assets attributable to owners of the Company per Share of approximately HK\$4.893 as at 31 July 2024, which the adjusted unaudited consolidated net asset value attributable to the owners of the Company per Share as at 31 July 2024 is set out under the paragraph "PROPERTY INTEREST AND ADJUSTED NET ASSET VALUE" in Appendix II to this Composite Document.

LETTER FROM SOMERLEY

Highest and lowest Share prices

The highest and lowest closing price of the Shares as quoted on the Stock Exchange during the Relevant Period and ending on the Latest Practicable Date were HK\$0.405 per Share on 30 September 2024 and 2 October 2024 and HK\$0.120 per Share on 19 March 2024 and 20 March 2024, respectively.

Value of the Offer

As at the Latest Practicable Date, the Company has 194,337,559 Shares in issue. On the basis of the Offer Price of HK\$0.400 per Offer Share, the entire issued share capital of the Company will be valued at HK\$77,735,023.600. Assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date and up to the close of the Offer, and excluding the 97,172,000 Shares held by the Offeror and parties acting in concert with it immediately upon Completion and as at the Latest Practicable Date, 97,165,559 Shares will be subject to the Offer. If the Offer is accepted in full, the maximum consideration payable by the Offeror for the Offer is valued at HK\$38,866,223.600.

Confirmation of financial resources

The Offeror intends to finance the consideration payable under the Offer in full by its internal resources. Somerley, being the financial adviser to the Offeror in respect of the Offer, is satisfied that sufficient financial resources are available to the Offeror to satisfy the maximum payment obligations upon full acceptance of the Offer.

PROCEDURES FOR ACCEPTANCE OF THE OFFER

To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which form part of the terms and conditions of the Offer.

The duly completed and signed Form of Acceptance, should be sent by post or by hand, together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), to the Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, marked "**Capital Estate Limited – Offer**" on the envelope, as soon as possible and in any event so as to reach the Registrar by no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and the Offeror and the Company may jointly announce, with the consent of the Executive, in accordance with the Takeovers Code.

No acknowledgment of receipt of any Form of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

LETTER FROM SOMERLEY

Your attention is drawn to “Further terms and procedures for acceptance of the Offer” as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

Effect of accepting the Offer

As at the Latest Practicable Date, the Company had not declared any dividend or any other distribution which is not yet paid.

By accepting the Offer, the Independent Shareholders shall sell their Shares free from all Encumbrances and with all rights and benefits at any time accruing and attaching thereto on or after the date on which the Offer is made, being the date of despatch of this Composite Document, including but not limited to the rights to receive all dividends and distributions declared, and any return of capital, if any, which may be paid, made or declared or agreed to be made or paid thereon or in respect thereof on or after the date of this Composite Document.

The Company confirmed that as at the Latest Practicable Date, (i) it had not declared any dividend which is not yet paid; and (ii) it did not have any intention to declare or pay any future dividend or make other distributions prior to and including the Closing Date. The Offer is unconditional in all respects and will not be conditional upon acceptances being received in respect of a minimum number of Shares or any other conditions, and will remain open for acceptance from the date of this Composite Document until 4:00 p.m. on the Closing Date. Acceptance of the Offer will be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code, details of which are set out in the section headed “6. Right of withdrawal” in Appendix I to this Composite Document.

PAYMENT

Payment in cash in respect of acceptances of the Offer will be made as soon as possible but no later than seven (7) Business Days after the date on which the duly completed acceptance of the Offer and the relevant documents of title of the Offer Shares in respect of such acceptance are received by the Registrar or the Offeror to render each such acceptance complete and valid in accordance with the Takeovers Code. No fractions of a cent will be payable and the amount of the consideration payable to any Independent Shareholder who accepts the Offer will be rounded up to the nearest cent.

LETTER FROM SOMERLEY

Nominee registration

To ensure equality of treatment of all Independent Shareholders, those Independent Shareholders who hold Shares as nominees on behalf of more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for beneficial owners of Shares whose investments are registered in the names of nominees, to accept the Offer, it is essential that they provide instructions of their intentions with regard to the Offer to their nominees.

Overseas Shareholders

The Offeror intends to make the Offer available to all Independent Shareholders, including those who are not resident in Hong Kong. As the Offer to persons not being resident in Hong Kong may be affected by the laws and regulations of the relevant jurisdiction in which they are resident, Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the sole responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental, exchange control or other consents which may be required, or compliance with other necessary formalities and the payment of any issue, transfer or other taxes due by such Overseas Shareholders in respect of such jurisdictions).

Based on the register of members of the Company, as at the Latest Practicable Date, the Company had 7 Overseas Shareholders with registered addresses located in the Macao Special Administrative Region of the People's Republic of China, Australia and New Zealand. The Offeror was advised by legal advisers in the Macao Special Administrative Region of the People's Republic of China, Australia and New Zealand that there is no restriction as to the despatch of this Composite Document and the accompanying Form of Acceptance, and the making of the Offer, to such Overseas Shareholders. The Offeror will therefore despatch this Composite Document and the Form of Acceptance to the Overseas Shareholders. This Composite Document will not be filed under the applicable securities or equivalent legislation or rules of any jurisdiction other than Hong Kong. This Composite Document will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.capitalestate.com.hk>), and all material information in this Composite Document will be made available to the Overseas Shareholders. Any acceptance of the Offer by any Overseas Shareholders will be deemed to constitute a representation and warranty from such Overseas Shareholders to the Offeror that the applicable local laws and requirements have been complied with. The Overseas Shareholders who are in doubt as to the action they should take should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

LETTER FROM SOMERLEY

Hong Kong stamp duty

In Hong Kong, seller's ad valorem stamp duty payable by the Independent Shareholders who accept the Offer and calculated at a rate of 0.1% of the market value of the Offer Shares or the consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher (where the stamp duty calculated includes a fraction of HK\$1, the stamp duty would be rounded-up to the nearest HK\$1), will be deducted from the amount payable by the Offeror to the relevant Independent Shareholders on the acceptance of the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the Independent Shareholders who accept the Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Offer Shares.

Taxation advice

The Independent Shareholders are recommended to consult their own professional advisers as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, parties acting in concert with the Offeror, the Company, the Vendors, Somerley or any of their respective ultimate beneficial owners, directors, officers, agents, advisers or associates or any other person involved in the Offer accept any responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

INFORMATION ON THE OFFEROR

The Offeror

The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by Ms. Lina Sio, being an executive Director and the chairlady of the Board. As at the Latest Practicable Date, Ms. Lina Sio is the sole director of the Offeror and she beneficially owns 42,172,000 Shares through the Offeror, representing approximately 21.700% of the total issued share capital of the Company.

As at the Latest Practicable Date, Ms. Lina Sio also beneficially owns 55,000,000 Shares through Nichrome Limited, representing approximately 28.301% of the total issued share capital of the Company. Nichrome Limited is wholly and beneficially owned by Ms. Lina Sio, who is also the sole director of Nichrome Limited. Ms. Lina Sio, in aggregate, beneficially owns 92,172,000 Shares through the Offeror and Nichrome Limited, representing approximately 50.002% of the total issued share capital of the Company as at the Latest Practicable Date.

Ms. Lina Sio, aged 30, has more than six years of experience in the consumer finance business, and is the founder of the Group's consumer finance operation. As at the Latest Practicable Date, Ms. Lina Sio is a director and chief executive officer of Grantit Limited and a director of Shiny Rising Limited, which are both subsidiaries of the Company that operates an online lending mobile application and provides consumer finance to customers, respectively.

LETTER FROM SOMERLEY

INFORMATION ON THE GROUP

Your attention is drawn to the section headed “Information on the Group” in the “Letter from the Board” as set out on page 17 of this Composite Document.

INTENTIONS OF THE OFFEROR IN RELATION TO THE GROUP

The Offeror considers and confirms that (i) it is intended that the Group will continue with the existing business of the Group; and (ii) it has no current intention to (a) introduce any major changes to the existing business of the Group or (b) discontinue the employment of any of the Group’s employees or (c) other than as disclosed by the Company, redeploy the fixed assets of the Group other than in its ordinary course of business. The Offeror will continue to ensure good corporate governance and monitor and review the Group’s business and operations from time to time. However, the Offeror reserves the right to make any changes that it deems necessary or appropriate to the Group’s business and operations to optimise the value of the Group. As at the Latest Practicable Date, the Offeror has no intention, understanding, negotiation or arrangement (concluded or otherwise) to downsize, cessation or disposal of existing business of the Group; and to acquire or inject any new business to the Group.

As at the Latest Practicable Date, the Board comprises (i) Ms. Lina Sio and (ii) Mr. Chu, as executive Directors, (iii) Ms. Ali Sio as non-executive Director, and (iv) Mr. Hung Ka Hai, Clement, (v) Mr. Yeung Chi Wai, (vi) Mr. Wong Kwong Fat and (vii) Mr. Chan Shu Yan, Stephen as independent non-executive Directors.

The Offeror has no intention to change the composition of the Board following the close of the Offer.

PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares (excluding treasury shares), are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealing in the Shares.

The Offeror intends the Company to remain listed on the Stock Exchange. The director of the Offeror and the Directors will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares. No such arrangements have been confirmed or put in place as at the Latest Practicable Date. Further announcement(s) will be made in accordance with the requirements of the Listing Rules and the Takeovers Code as and when appropriate.

LETTER FROM SOMERLEY

COMPULSORY ACQUISITION

The Offeror does not intend to exercise any right which may be available to it to compulsorily acquire any outstanding Offer Shares not acquired pursuant to the Offer after the close of the Offer.

GENERAL

All documents, communications, notices, Form of Acceptance, Share certificate(s), transfer receipt(s), other document(s) of title and remittances in respect of cash consideration payable for the Offer Shares tendered under the Offer will be sent to the accepting Shareholders by ordinary post at such Shareholder's own risk. These documents and remittances will be sent to them at their respective addresses as they appear in the register of members of the Company as at the Latest Practicable Date, or in the case of joint Shareholders, to the Shareholder whose name appears first in the said register of members, unless otherwise specified in the accompanying Form of Acceptance completed, returned and received by the Registrar. None of the Offeror, parties acting in concert with the Offeror, the Company, Somerley, the Independent Financial Adviser, the Registrar, the company secretary of the Company and any of their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer will be responsible for any loss in postage or delay in transmission of such documents and remittances or any other liabilities that may arise as a result thereof.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information regarding the Offer set out in the appendices to this Composite Document and the accompanying Form of Acceptance, which form part of this Composite Document. In addition, your attention is also drawn to the "Letter from the Board", the "Letter from the Independent Board Committee" and the "Letter from the Independent Financial Adviser" contained in this Composite Document.

Yours faithfully,
For and on behalf of
Somerley Capital Limited
Calvin Leung
Director

LETTER FROM THE BOARD



CAPITAL ESTATE LIMITED
冠中地產有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 193)

Executive Directors:

Ms. Sio Lai Na

Mr. Chu Nin Yiu, Stephen (*Chief Executive Officer*)

Non-Executive Director:

Ms. Sio Lai Nga

Registered Office:

13th Floor, Bonham Majoris

40 Bonham Strand

Sheung Wan

Hong Kong

Independent Non-Executive Directors:

Mr. Hung Ka Hai, Clement

Mr. Yeung Chi Wai

Mr. Wong Kwong Fat

Mr. Chan Shu Yan, Stephen

6 November 2024

To the Independent Shareholders

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
SOMERLEY CAPITAL LIMITED
FOR AND ON BEHALF OF CEDARWOOD VENTURES LIMITED TO
ACQUIRE ALL THE ISSUED SHARES IN CAPITAL ESTATE LIMITED
(OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO BE
ACQUIRED BY CEDARWOOD VENTURES LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to the Announcement. The Company was informed by the Offeror that on 27 August 2024 (before trading hours), the Offeror and the Vendors entered into the Sale and Purchase Agreement, pursuant to which the Vendors had agreed to sell, and the Offeror had agreed to purchase, a total of 42,172,000 Sale Shares, free from Encumbrances, at an aggregate consideration of HK\$16,868,800.000, which is equivalent to HK\$0.400 per Sale Share.

LETTER FROM THE BOARD

Immediately upon Completion, the Offeror and parties acting in concert with it were interested in 97,172,000 Shares, representing approximately 50.002% of the total issued share capital of the Company. Accordingly, pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it).

Reference is also made to the positive profit alert announcement of the Company dated 18 October 2024 in relation to the profit recorded by the Company for the year ended 31 July 2024 and the annual results announcement of the Company dated 30 October 2024 in respect of the financial year ended 31 July 2024.

Somerley is making the Offer for and on behalf of the Offeror to the Independent Shareholders to acquire all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it) in compliance with Rule 26.1 of the Takeovers Code. Details of the Offer are set out in the section headed “The Offer” in the “Letter from Somerley” in this Composite Document.

The purpose of this Composite Document, of which this letter forms part, is to provide you with, among other things, (i) information relating to the Group, the Offeror and the Offer; (ii) a letter of recommendation from the Independent Board Committee containing the Independent Board Committee’s recommendation to the Independent Shareholders in respect of the terms of the Offer and as to the acceptance of the Offer; and (iii) a letter of advice from Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee in respect of the Offer.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising (i) Mr. Hung Ka Hai, Clement, (ii) Mr. Yeung Chi Wai, (iii) Mr. Wong Kwong Fat and (iv) Mr. Chan Shu Yan, Stephen, each of whom being an independent non-executive Director who has no relationship with the Offeror and/or Ms. Lina Sio and has no direct or indirect interest in the Offer, has been established by the Company pursuant to Rule 2.1 of the Takeovers Code to make a recommendation to the Independent Shareholders in respect of the Offer, as to whether the Offer is fair and reasonable and as to the acceptance of the Offer.

Quam Capital Limited has been appointed by the Company, with the approval of the Independent Board Committee, to act as the Independent Financial Adviser pursuant to Rule 2.1 of the Takeovers Code to advise the Independent Board Committee in respect of the Offer, and in particular, as to whether the Offer is fair and reasonable and as to the acceptance of the Offer.

LETTER FROM THE BOARD

You are advised to read the “Letter from the Independent Board Committee”, the “Letter from the Independent Financial Adviser” and the additional information contained in the appendices to this Composite Document carefully before taking any action in respect of the Offer.

PRINCIPAL TERMS OF THE OFFER

As disclosed in the “Letter from Somerley” in this Composite Document, Somerley, for and on behalf of the Offeror, hereby makes the Offer for all of the Offer Shares on the terms set out in this Composite Document in compliance with the Takeovers Code on the following terms:

For each Offer Share HK\$0.400 in cash

The Offer Price of HK\$0.400 per Offer Share is equal to the purchase price per Sale Share paid by the Offeror under the Sale and Purchase Agreement.

The Offer will be extended to all Independent Shareholders in accordance with the Takeovers Code.

The Offer Shares to be acquired under the Offer shall be fully paid and free from any Encumbrances together with all rights attaching to them, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made, being the date of dispatch of this Composite Document.

As at the Latest Practicable Date, (i) the Company has not declared any dividend or any other distributions which is outstanding and not yet paid; and (ii) the Company does not have any intention to make, declare or pay any future dividend or make other distributions prior to the close of the Offer.

The Offer will be unconditional in all respects and will not be conditional upon acceptances being received in respect of a minimum number of Shares or any other conditions.

Further details of the Offer can be found in the “Letter from Somerley” in this Composite Document, Appendix I to this Composite Document and the accompanying Form of Acceptance.

INFORMATION ON THE GROUP

The Group is principally engaged in property development, consumer finance, hotel operation, financial investment and related activities.

Further information in relation to the Group is set out in Appendix II and Appendix IV to this Composite Document.

LETTER FROM THE BOARD

Qualified opinion of auditor for the financial year ended 31 July 2024

The Group's auditor, Baker Tilly Hong Kong Limited, issued a qualified opinion for the consolidated financial statements of the Group for the financial year ended 31 July 2024, the basis of which was in relation to the Group's interest in an associate, amounts due from an associate and dividend receivables from an associate. Pursuant to Note 3 to Rule 2 of the Takeovers Code, the Board would like to draw the attention of the Independent Shareholders to this qualified opinion. For details of the qualified opinion, please refer to Appendix II to this Composite Document.

As stated in the auditor's opinion, the opinion on the consolidated financial statements of the Group for the financial year ended 31 July 2024 is qualified only to the extent of the possible effects of the matters disclosed in the opinion on the comparative financial information, the opening balances of interest in an associate and the relevant receivables as at 1 August 2023 and the consequential effect on the share of profit of the associate and the expected credit loss (ECL) allowance on the relevant receivables for the year ended 31 July 2024. Given that the ending balances of the relevant items as at 31 July 2024 were not affected by the matters covered by the qualified opinion and as such the Company's financial position as at 31 July 2024 was not affected, the Board is of the view that the qualified opinion issued by the auditor of the Company for the financial year ended 31 July 2024 would not have any material implication on the Offer and the Company.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) before Completion; and (ii) immediately upon Completion and as at the Latest Practicable Date:

Shareholders	Immediately prior to Completion		Immediately upon Completion and as at the Latest Practicable Date	
	Number of Shares	Approximate % (Note 1)	Number of Shares	Approximate % (Note 1)
The Offeror and parties acting in concert with it				
- The Offeror (Note 2)	-	-	42,172,000	21.700
- Nichrome Limited (Note 2)	55,000,000	28.301	55,000,000	28.301
Sub-total	55,000,000	28.301	97,172,000	50.002
Vendors				
- Supervalue (Note 3)	31,650,555	16.286	-	-
- Mr. Chu (Note 3)	16,240,750	8.357	5,719,305	2.943
Sub-total	47,891,305	24.643	5,719,305	2.943
Public Shareholders	91,446,254	47.055	91,446,254	47.055
Independent Shareholders	139,337,559	71.699	97,165,559	49.998
Total	194,337,559	100.000	194,337,559	100.000

Notes:

- The percentage figures are calculated on the basis of 194,337,559 issued Shares, which represent the entire issued share capital of the Company, as at the Latest Practicable Date.
- Each of the Offeror and Nichrome Limited is wholly and beneficially owned by Ms. Lina Sio, being an executive Director and the chairlady of the Board. As such, immediately upon Completion and as at the Latest Practicable Date, Ms. Lina Sio is deemed or taken to be interested in the total of 97,172,000 Shares held by the Offeror and Nichrome Limited by virtue of the SFO.
- Supervalue is a company incorporated under the laws of the British Virgin Islands with limited liability and is wholly and beneficially owned by Mr. Chu. As such, Mr. Chu is deemed or taken to be interested in the Shares held by Supervalue by virtue of the SFO. Save that Ms. Lina Sio and Mr. Chu are both directors of the Company, each of Supervalue and Mr. Chu is a third party independent of, and not connected with, the Offeror and parties acting in concert with it (including Ms. Lina Sio). Mr. Chu intends to accept the Offer in respect of the 3,775,305 remaining Shares held by him, representing approximately 1.943% of the Shares as at the Latest Practicable Date, and intends to retain, and not accept the Offer in respect of, 1,944,000 remaining Shares held by him, representing approximately 1.000% Shares as at the Latest Practicable Date.
- Certain percentage figures in the above table are subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

LETTER FROM THE BOARD

INFORMATION ON THE OFFEROR

Details of the information on the Offeror are set out in the section headed “Information on the Offeror” of the “Letter from Somerley” in this Composite Document.

INTENTIONS OF THE OFFEROR REGARDING THE GROUP

Your attention is drawn to the section headed “Intentions of the Offeror in relation to the Group” in the “Letter from Somerley” in this Composite Document for detailed information on the Offeror’s intention on the business and management of the Group.

The Board is aware of the intention of the Offeror in relation to the Group and is willing to co-operate with the Offeror and acts in the best interest of the Company and the Shareholders as a whole. The Board understands that the Offeror confirms that it (i) is intended that the Group will continue with the existing business of the Group; (ii) has no current intention to (a) introduce any major changes to the existing business of the Group or (b) discontinue the employment of any of the Group’s employees or (c) other than as disclosed by the Company, redeploy the fixed assets of the Group other than in its ordinary course of business; and (iii) will continue to ensure good corporate governance and monitor and review the Group’s business and operations from time to time. However, the Board is also aware that the Offeror reserves the right to make any changes that it deems necessary or appropriate to the Group’s business and operations to optimise the value of the Group. As at the Latest Practicable Date, as far as the Board is aware, the Offeror has no intention, understanding, negotiation or arrangement (concluded or otherwise) to downsize, cessation or disposal of existing business of the Group; and to acquire or inject any new business to the Group.

The Board welcomes the decisions of the Offeror to maintain the existing business of the Group, not to introduce any major changes to the existing business of the Group, not to discontinue the employment of any of the Group’s employees, not to redeploy the fixed assets of the Group other than in its ordinary course of business, and to continue to ensure good corporate governance and monitor and review the Group’s business and operations.

PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares (excluding treasury shares), are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealing in the Shares.

LETTER FROM THE BOARD

The Offeror intends the Company to remain listed on the Stock Exchange. The director of the Offeror and the Directors will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

RECOMMENDATION

Your attention is drawn to (i) the “Letter from the Independent Board Committee” on pages 22 to 23 of this Composite Document, which contains the Independent Board Committee’s recommendation to the Independent Shareholders in relation to the Offer; and (ii) the “Letter from the Independent Financial Adviser” on pages 24 to 46 of this Composite Document, which sets out the advice and recommendation from the Independent Financial Adviser to the Independent Board Committee as to whether the Offer are fair and reasonable so far as the Independent Shareholders are concerned, and as to the acceptance of the Offer, and the principal factors considered by it in arriving at its advice and recommendation.

The Independent Shareholders are urged to read these letters carefully before taking any action in respect of the Offer.

ADDITIONAL INFORMATION

You are also advised to read this Composite Document together with the accompanying Form of Acceptance in respect of the acceptance and settlement procedures of the Offer. Your attention is drawn to the additional information contained in the appendices to this Composite Document.

In considering what action to take in connection with the Offer, you should consider your own tax positions, if any, and, in case of any doubt, consult your professional advisers.

By Order of the Board
Capital Estate Limited
Chu Nin Yiu, Stephen
Chief Executive Officer

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Set out below is the text of the letter of recommendation from the Independent Board Committee in respect of the Offer.



CAPITAL ESTATE LIMITED 冠中地產有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 193)

6 November 2024

To the Independent Shareholders

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
SOMERLEY CAPITAL LIMITED
FOR AND ON BEHALF OF CEDARWOOD VENTURES LIMITED TO
ACQUIRE ALL THE ISSUED SHARES IN CAPITAL ESTATE LIMITED
(OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO BE
ACQUIRED BY CEDARWOOD VENTURES LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to this Composite Document dated 6 November 2024 issued jointly by the Offeror and the Company of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined in this Composite Document unless the context requires otherwise.

We have been appointed by the Board to form the Independent Board Committee to consider the terms of the Offer and to make recommendation to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned, and as to the acceptance of the Offer.

The Independent Financial Adviser has been appointed with our approval to advise us in respect of the terms of the Offer and, in particular, whether the terms of the Offer are fair and reasonable and to make recommendation as to the acceptance of the Offer. Details of its advice and the principal factors considered by it arriving at its advice and recommendation are set out in the “Letter from the Independent Financial Adviser” on pages 24 to 46 of this Composite Document.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We also wish to draw your attention to the “Letter from the Board”, the “Letter from Somerley” and the additional information set out in the appendices of this Composite Document.

RECOMMENDATION

Having considered the terms of the Offer, taking into account the information contained in this Composite Document, and the letter of advice and recommendation from the Independent Financial Adviser, we are of the opinion that the Offer are fair and reasonable so far as the Independent Shareholders are concerned and recommend the Independent Shareholders to accept the Offer.

Independent Shareholders who intend to realise their investments in the Company in whole or in part by accepting the Offer should monitor the Share price, and if the proceeds of selling in the market (net of costs) would be higher than the net proceeds receivable under the Offer, such Independent Shareholders should consider selling their Shares in the open market instead of realising their investment by accepting the Offer.

Notwithstanding our recommendations, the Independent Shareholders are strongly advised that their decision to realise or to hold their investment in the Shares depends on their own individual circumstances and investment objectives. If in any doubt, the Independent Shareholders should consult their own professional advisers for professional advice.

Yours faithfully,

For and on behalf of the Independent Board Committee of
Capital Estate Limited

**Mr. Hung Ka Hai,
Clement**

*Independent non-
executive Director*

Mr. Yeung Chi Wai

*Independent non-
executive Director*

**Mr. Wong Kwong
Fat**

*Independent non-
executive Director*

**Mr. Chan Shu Yan,
Stephen**

*Independent non-
executive Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from Quam Capital Limited, the independent financial adviser to the Independent Board Committee in respect of the Offer for the purpose of inclusion in this Composite Document.



6 November 2024

To the Independent Board Committee

Capital Estate Limited

13/F. Bonham Majoris
40 Bonham Strand
Sheung Wan, Hong Kong

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
SOMERLEY CAPITAL LIMITED FOR AND ON BEHALF OF
CEDARWOOD VENTURES LIMITED TO ACQUIRE ALL THE ISSUED
SHARES IN CAPITAL ESTATE LIMITED (OTHER THAN THOSE
ALREADY BENEFICIALLY OWNED AND/OR AGREED TO BE
ACQUIRED BY CEDARWOOD VENTURES LIMITED AND PARTIES
ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee in respect to the Offer. Details of the Offer are set out in the “Letter from the Board” contained in the composite document of the Company dated 6 November 2024 (the “**Composite Document**”), of which this letter forms a part. Unless otherwise stated, terms defined in the Composite Document have the same meanings in this letter.

On 27 August 2024 (before trading hours), the Offeror and the Vendors entered into the Sale and Purchase Agreement, pursuant to which the Vendors had agreed to sell, and the Offeror had agreed to purchase, a total of 42,172,000 Sale Shares, free from Encumbrances, at an aggregate consideration of HK\$16,868,800,000, which is equivalent to HK\$0.400 per Sale Share. The Sale Shares represent approximately 21.700% of the total issued share capital of the Company as at the date of the Announcement. The Acquisition was completed on the same date as the Sale and Purchase Agreement, being 27 August 2024.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the date of the Announcement, the Company has 194,337,559 Shares in issue. Immediately prior to Completion, the Offeror and parties acting in concert with it were interest in 55,000,000 Shares, representing approximately 28.301% of the total issued share capital of the Company. Immediately upon Completion, the Offeror and parties acting in concert with it were interested in 97,172,000 Shares, representing approximately 50.002% of the total issued share capital of the Company. The Offeror is therefore required under Rule 26.1 of the Takeovers Code to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned and/ or agreed to be acquired by the Offeror and parties acting in concert with it).

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising (i) Mr. Hung Ka Hai, Clement; (ii) Mr. Yeung Chi Wai; (iii) Mr. Wong Kwong Fat; and (iv) Mr. Chan Shu Yan, Stephen, each of whom being an independent non-executive Director who has no relationship with the Offeror and/or Ms. Lina Sio and has no direct and indirect interest in the Offer, has been established by the Company pursuant to Rule 2.1 of the Takeovers Code to make a recommendation to the Independent Shareholders in respect of the Offer, as to whether the Offer is fair and reasonable and as to the acceptance of the Offer.

As Ms. Lina Sio is the sole director of the Offeror, Ms. Ali Sio, being the non-executive Director and the sister of Ms. Lina Sio, is presumed to be acting in concert with the Offeror under class 2 of the definition of “acting in concert” under the Takeovers Code and is accordingly regarded as being interested in the Offer, and therefore has not been appointed as a member of the Independent Board Committee.

THE INDEPENDENT FINANCIAL ADVISER

We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in relation to the Offer and in particular as to whether the Offer is fair and reasonable and as to the acceptance of the Offer. Our appointment has been approved by the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code.

As at the Latest Practicable Date, we did not have any relationships with or interests in the Company, the Offeror, or any of their respective controlling shareholders and any party acting, or presumed to be acting, in concert with any of them, and accordingly, are qualified to give independent advice to the Independent Board Committee. Save for our appointment as the Independent Financial Adviser, we did not act as a financial adviser to the Company and the Offeror in the past two years prior to the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 13.84 of the Listing Rules and Rule 2.6 of the Takeovers Code, and given that (i) remuneration for our engagement to opine on the Offer is at market level and not conditional upon the outcome of the Offer; (ii) no arrangement exists whereby we shall receive any fees or benefits from the Company (other than our said remuneration) or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them; and (iii) our engagement is on normal commercial terms and approved by the Independent Board Committee, we are independent of the Company or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them and can act as the Independent Financial Adviser to the Independent Board Committee in respect of the Offer.

BASIS OF OUR ADVICE

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Composite Document; (ii) the information provided by the Directors and the management of the Company (the “**Management**”); (iii) the opinions expressed by and the representations of the Directors and the Management; and (iv) our review of the relevant public information, including but not limited to the historical share prices, financial results or reports and other announcements of the Company. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Composite Document were true, accurate and complete in all material respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Composite Document are true in all material respects at the time they were made and continue to be true in all material respects as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the Management and those as set out or referred to in the Composite Document were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of such information and representations provided to us by the Directors and the Management. Should there be any material changes to the statements, information and/or representation affecting our opinion after the Latest Practicable Date, the Independent Shareholders would be notified as soon as possible in compliance with Rule 9.1 of the Takeovers Code.

We have reviewed, among others, (i) the annual results of the Company for the year ended 31 July 2024 (the “**2024 Annual Results**”); (ii) the annual report of the Company for the year ended 31 July 2023 (the “**2023 Annual Report**”); (iii) the annual report of the Company for the year ended 31 July 2022 (the “**2022 Annual Report**”); (iv) the Joint Announcement; and (v) other information contained or referred to in the Composite Document. We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Composite Document so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinions expressed

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by the Directors and the Management, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position, financial forecast or future prospects of the Company.

PRINCIPAL TERMS OF THE OFFER

The Offer

Somerley is making the Offer for and on behalf of the Offeror to acquire all the Offer Shares in compliance with the Takeovers Code on the following basis:

For each Offer Share HK\$0.400 in cash

The Offer Price of HK\$0.400 per Offer Share is equal to the purchase price per Sale Share paid by the Offeror under the Sale and Purchase Agreement.

The Offer Shares to be acquired under the Offer shall be fully paid and shall be acquired free from all Encumbrances and together with all rights attaching thereto, including the rights to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Offer is made, being the date of despatch of the Composite Document. As set out in the Letter from the Board, as at Latest Practicable Date, the Company had not declared any dividend and the Board did not have any intention to make, declare or pay any dividend or other distribution before the close of the Offer Period of the Offer. If, after the Latest Practicable Date but before the Offer closing date, any dividend or other distribution is made or paid in respect of the Offer shares, the Offeror reserves the right to reduce the Offer Price by an amount equal to the gross amount of such dividend or other distribution. Further details of the terms and conditions of the Offer, including the procedures for acceptance of the Offer, are set out in the Composite Document.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background information of the Group

The Group is principally engaged in property development, consumer finance, hotel operation, financial investment and related activities.

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1.1 Financial Information of the Group

Set out below is a summary of the audited consolidated financial information of the Group for the years ended 31 July 2022 (“FY2022”), 2023 (“FY2023”) and 2024 (“FY2024”) as extracted from the 2022 Annual Report, 2023 Annual Report and 2024 Annual Results.

	FY2022	FY2023	FY2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Revenue	87,273	36,876	56,399
Cost of sales	(32,598)	(510)	(9,644)
Direct operating costs	(2,402)	(3,070)	(4,005)
Gross profit	52,273	33,296	42,750
Other losses	(38,436)	(5,242)	(6,271)
Impairment losses under expected credit loss model, net	(15,183)	(13,794)	(9,406)
Other income	11,363	14,510	17,298
Marketing expenses	(5,470)	(5,637)	(3,959)
Administrative expenses	(42,056)	(45,283)	(45,127)
Other hotel operating expenses	(13,825)	(11,385)	(11,069)
Share of profit/(loss) of an associate	(25,264)	(991)	20,287
Finance costs	(101)	(33)	(49)
Profit/(Loss) before income tax	(76,699)	(34,559)	4,454
Income tax credit/(expense)	(27,617)	862	(667)
Profit/(Loss) for the year	(104,316)	(33,697)	3,787
Profit/(Loss) for the year attributable to owners of the Company	(98,255)	(29,967)	5,569
	FY2022	FY2023	FY2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Revenue by segments			
Hotel operations	4,144	7,037	13,880
Property	55,655	1,111	15,181
Consumer finance	27,474	28,728	27,338
Total	87,273	36,876	56,399

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	As at 31 July		
	2022	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Non-current assets	417,251	390,939	429,726
Current assets	563,633	413,003	377,423
Total assets	980,884	803,942	807,149
Non-current liabilities	23,357	20,901	19,119
Current liabilities	139,455	17,131	21,593
Total liabilities	162,812	38,032	40,712
Net assets	818,072	765,910	766,437

FY2023 as compared with FY2022

The Group recorded a decrease in revenue of approximately 57.7% from approximately HK\$87.3 million for FY2022 to approximately HK\$36.9 million for FY2023. The revenue decrease was mainly due to the drop in revenue from the sale of a residential development project from approximately HK\$55.7 million for FY2022 to approximately HK\$1.1 million for FY2023. As at 31 July 2023, the unsold saleable floor area of this residential development project amounted to approximately 7.2% of total saleable floor area, which was mainly attributable to car park space. The revenue from consumer finance, which represented the interest income from loans, of the Group increased slightly by approximately 4.4% from approximately HK\$27.5 million for FY2022 to approximately HK\$28.7 million for FY2023. Such increase was mainly due to (i) the increase in number of users of consumer finance business from approximately 3,400 users as at 31 July 2022 to approximately 3,500 users as at 31 July 2023; and (ii) the increase in the value of net loan portfolio from approximately HK\$67.2 million as at 31 July 2022 to approximately HK\$77.8 million as at 31 July 2023. The revenue from hotel operations increased by approximately 69.8% from approximately HK\$4.1 million for FY2022 to HK\$7.0 million for FY2023. Such increase was mainly attributable to the growth in occupancy rate of the Group's hotel in Foshan from approximately 6.6% for FY2022 to approximately 12.4% for FY2023.

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The Group's loss for the year attributable to owners of the Company decreased from approximately HK\$98.3 million in FY2022 to approximately HK\$30.0 million in FY2023, which was mainly attributable to the decrease in other losses and share of loss of an associate of the Group, which was partially offset by the decrease in profit from the property business segment due to the decrease in sales of the residential development project as discussed above. The Group's other losses decreased from approximately HK\$38.4 million for FY2022 to approximately HK\$5.2 million for FY2023, which was mainly due to the decrease in fair value loss on the Group's financial investment portfolio. The Group's associate is principally engaged in hotel operations and property investment in Macau and the Group holds 32.5% interest in this associated company. The decrease in the Group's share of loss of the associate from approximately HK\$25.3 million for FY2022 to approximately HK\$1.0 million for FY2023 was mainly due to the increase in revenue of the associated company's hotel operation in Macau from approximately HK\$89.5 million in FY2022 to approximately HK\$134.3 million in FY2023, as a result of recovery from the COVID-19 pandemic.

FY2024 as compared with FY2023

The Group recorded an increase in revenue of approximately 52.8% from approximately HK\$36.9 million for FY2023 to approximately HK\$56.4 million for FY2024. The revenue increase was mainly due to the surge in revenue from the Group's hotel operations and sales of properties from a residential development project. As at 31 July 2024, the unsold saleable floor area of this residential development project amounted to approximately 5.4% of total saleable floor area, which was mainly attributable to car park space. The revenue from consumer finance, which represented the interest income from loans, of the Group decreased slightly by approximately 4.8% from approximately HK\$28.7 million for FY2023 to approximately HK\$27.3 million for FY2024. Such decrease was mainly due to (i) the decrease in number of users of consumer finance business from approximately 3,500 users as at 31 July 2023 to approximately 3,000 users as at 31 July 2024; and (ii) the decrease in the value of net loan portfolio from HK\$77.8 million as at 31 July 2023 to HK\$65.1 million as at 31 July 2024.

The Group has recorded a profit for the year attributable to owners of the Company of approximately HK\$5.6 million in FY2024, as compared with a loss of approximately HK\$30.0 million for FY2023. The change from loss to profit was mainly attributable to the increase in revenue as discussed above, and the Group's share of profit of its associate, Tin Fok Holding Company Limited, in FY2024, as compared with sharing a loss in FY2023, which was mainly due to the increase in revenue of the associated company's hotel operation in Macau from approximately HK\$134.3 million in FY2023 to HK\$231.2 million in FY2024.

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Financial position

As at 31 July 2024, total assets of the Group was approximately HK\$807.1 million, which mainly consisted of (i) property, plant and equipment of approximately HK\$211.7 million; (ii) bank balances and cash of approximately HK\$175.0 million; (iii) interest in an associate of approximately HK\$165.2 million; (iv) financial assets at fair value through profit or loss of approximately HK\$99.8 million; and (v) receivables from customers of consumer finance service of approximately HK\$65.1 million.

As at 31 July 2024, total liabilities of the Group was HK\$40.7 million, which mainly consisted of (i) deferred tax liability of approximately HK\$19.1 million; (ii) trade and other payables of approximately HK\$15.2 million; and (iii) tax payable of approximately HK\$4.1 million.

As at 31 July 2024, the consolidated net assets attributable to owners of the Group was approximately HK\$823.0 million, representing approximately HK\$4.235 per share.

Qualified opinion of auditor

The Group's auditor issued a qualified opinion for the consolidated financial statements of the Group for FY2024, the basis of which was in relation to the Group's interest in an associate, amounts due from an associate and dividend receivables from an associate, i.e. Tin Fok Holding Company Limited ("**Tin Fok**", together with its subsidiary, the "**Tin Fok Group**"). Pursuant to Note 3 to Rule 2 of the Takeovers Code, the Board would like to draw the attention of the Independent Shareholders to this qualified opinion. For details, please refer to Appendix II to the Composite Document.

The predecessor independent auditor of the Group (the "**Predecessor**") in its report dated 30 October 2023 stated that they were unable to obtain sufficient appropriate audit evidence it considered necessary to assess the amounts of (i) expected credit loss ("**ECL**") allowance on a loan to and interest receivable (the "**Loan**") of HK\$689,488,000 from a private company ("**Entity A**"), a related company of the former director of the Company, Mr. Sio Tak Hong ("**Mr. Sio**") that should be recognised in the unaudited consolidated financial statements of Tin Fok Group (the "**Books**") for FY2023 and (ii) ECL allowance on amount due from and dividend receivables from Tin Fok (collectively the "**Receivables**") recognised in the consolidated financial statements of the Group for FY2023. No ECL allowance on the Loan or the Receivables was made during FY2023, as the management was of the view the amounts were recoverable. As the Predecessor considered that it was unable to obtain sufficient appropriate audit evidence of the foregoing, the Predecessor was unable to determine whether (i) the consequential share of loss and interest in the

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associate for and as at the year ended 31 July 2023 and (ii) the Receivables as at 31 July 2023 are free from material misstatements. The Predecessor's opinion on the Group's consolidated financial statements for FY2023 was qualified accordingly.

On 31 July 2024, certain shareholders of Tin Fok (the "**Indemnifiers**") and Entity A entered into a deed of indemnity (the "**Deed**") in favour of Tin Fok. Pursuant to the Deed, the Indemnifiers jointly agreed to, indemnify Tin Fok against all and any sums owed by Entity A under the Loan.

Accordingly, during the year the management of Tin Fok and the management of the Group had assessed the ECL of the Loan carried in the Books of Tin Fok Group, by taking into consideration of the financial position of Entity A and the fair value of the indemnity granted by the Indemnifiers. Taking into account of the foregoing, the management of the Group is of the view that the credit risk related to the Loan was not significantly increased and the amounts are still recoverable. Therefore, no ECL allowance was recognised in respect of the Loan in the Books of Tin Fok Group for FY2024.

During FY2024, the dividend receivables from the associate amounting to HK\$12,621,000 was fully settled by Tin Fok. Also during the year, the management of the Group has assessed the financial position of Tin Fok Group and is of the view that the credit risk of the amount due from the associate of HK\$7,434,000 as at 31 July 2024 is not significantly increased and the amount is still recoverable. Therefore, no ECL was recognised in respect of the Receivables for the year ended 31 July 2024.

As stated in the auditor's opinion, the opinion on the consolidated financial statements of the Group for FY2024 is qualified only to the extent of the possible effects of the foregoing matter on the comparative financial information, the opening balances of interest in an associate and the Receivables as at 1 August 2023 and the consequential effect on the share of profit of the associate and the ECL allowance on the Receivables for the year ended 31 July 2024. Given that the qualified opinion does not extend to any possible effects on the ending balances of the relevant items as at 31 July 2024, which are supported by the Management's assessment as discussed in the above paragraphs, and as such the Company's financial position as at 31 July 2024 are not affected, we concur with the Board that the qualified opinion issued by the auditor of the Company for FY2024 would not have any material implication on the Offer and the Company.

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1.2 Property valuation

The valuation report (the “**Valuation Report**”) prepared by Kroll (HK) Limited (the “**Valuer**”) relating to the valuation (the “**Valuation**”) of property interests held by the Group (the “**Properties**”) as at 31 August 2024 is set out in Appendix III to the Composite Document.

We have conducted an interview with the Valuer to assess its qualifications and experiences in valuing similar property interests and we casted no doubt that the Valuer and the signor of the Valuation Report have sufficient qualifications and experiences in valuing the Properties. The Valuer has also confirmed its independence from the Company and the Offeror and their respective concert parties. Save for the Valuation engagement, the Valuer has no current or prior relationships with the core connected persons of the Company or the Offeror. We are not aware the Company or the Offeror has made any formal or informal representation to the Valuer. In addition, we have reviewed the Valuer’s terms of engagement and noted that the scope of work is appropriate for arriving at the opinion in the Valuation and there are no limitations on the scope of work which might adversely affect the degree of assurance given by the Valuer in the Valuation Report. As noted in the Valuation Report, in valuing the Properties, the Valuer has complied with all requirements contained in Paragraph 34(2) and (3) of Schedule 3 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap.32), Chapter 5 and Practice Note 12 of the Listing Rules; Rule 11 of the Takeovers Code; and the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors.

We have reviewed the Valuation Report and discussed with the Valuer, among others, the bases and assumptions and the methodology adopted, and the major procedures performed by the Valuer for the Valuation. With reference to the Valuation Report, the Properties consist of four properties located in the PRC. Following discussions with the Valuer, we noted that the Valuer has adopted direct comparison method. As advised by the Valuer, such method is commonly adopted for valuing properties of similar nature as the Properties. Based on our discussion with the Valuer and our review of the Valuation Report, we consider the principal bases and assumptions adopted by the Valuer in respect of the Valuation are appropriate.

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1.3 Adjusted NAV

In evaluating the Offer Price, we have taken into account the Group's adjusted unaudited consolidated net asset value ("NAV") attributable to owners of the Company, which is provided by the Company and calculated based on the audited consolidated NAV of the Group as at 31 July 2024, adjusted with reference to the Valuation as at the valuation date (i.e. 31 August 2024). With reference to the paragraph headed "PROPERTY INTEREST AND ADJUSTED NET ASSET VALUE" in Appendix II to the Composite Document, details of the adjustments are set out in the table below:

	<i>HK\$'000</i>
Audited consolidated NAV attributable to owners of the Company as at 31 July 2024	823,048
<i>Adjustment:</i>	
– Fair value gain attributable to owners of the Company arising from the Valuation ⁽¹⁾	<u>127,834</u>
Adjusted unaudited consolidated NAV attributable to owners of the Company ("Adjusted NAV")	950,881
Adjusted NAV per Share ⁽²⁾:	HK\$4.893
Discount of the Offer Price to the Adjusted NAV per Share	91.825%

Notes:

1. The fair value gain attributable to the owners of the Company represents the increase in the market value of the property interest of the Group as at 31 August 2024 as compared to its corresponding net book value as at 31 July 2024.
2. It is calculated based on 194,337,559 Shares in issue.

1.4 Outlook of the Group

Although the general economic activity is still below pre-COVID-19 level, the Management is of the view that the Group's business, especially the hotel operation, has continued to show improvement after the relaxation of COVID-19 restrictions, which together with the financial performance of property business, helped the Company to turnaround from a loss recorded in FY2023 to a profit in FY2024. Nonetheless, in respect of the property business, we understand that the Group's residential project in the PRC with unsold saleable floor area amounted to approximately 5.4% of total saleable floor area mainly attributable to car park space as at 31 July 2024 is the only property project of the Group that could bring in revenue in the near term. We understand that the Management is

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dedicated to develop consumer finance service as a new source of revenue of the Group. While consumer finance has become the Group's largest revenue contributor since FY2023, such business segment is yet to reach a breakeven since it was launched in 2018, which was mainly due to impairment losses recorded on the receivables from the provision of consumer loan to customers and cost incurred on credit control for reducing such losses, according to the Management.

Looking ahead, the economic outlook for Hong Kong and the PRC remains uncertain and will be influenced by factors such as the interest rate adjustments, political turmoil and other uncertainties, posing challenges for the Group's business performance. Overall, having considered that, among others, (i) the Group was loss-making in FY2022 and FY2023 and just turned around from loss to profit in FY2024; (ii) the Group only has one property project with small amount of unsold units left as at the Latest Practicable Date that could bring in revenue in the near term; (iii) the Group's consumer financing business, being a key revenue source of the Group in recent years, has not been breakeven since it was launched in 2018; and (iv) the uncertainties faced by the Group arising from the overall market conditions, we maintain a cautious view on the outlook of the Group in the near term.

2. Background information of the Offeror

2.1 The Offeror and its controlling shareholders

The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by Ms. Lina Sio, being an executive Director and the chairlady of the Board. As at the Latest Practicable Date, Ms. Lina Sio is the sole director of the Offeror and she beneficially owns 42,172,000 Shares through the Offeror, representing approximately 21.700% of the total issued share capital of the Company.

As at the Latest Practicable Date, Ms. Lina Sio also beneficially owns 55,000,000 Shares through Nichrome Limited, representing approximately 28.301% of the total issued share capital of the Company. Nichrome Limited is wholly and beneficially owned by Ms. Lina Sio, who is also the sole director of Nichrome Limited. Ms. Lina Sio, in aggregate, beneficially owns 92,172,000 Shares through the Offeror and Nichrome Limited, representing approximately 50.002% of the total issued share capital of the Company as at the Latest Practicable Date.

Ms. Lina Sio, aged 30, has more than six years of experience in the consumer finance business, and is the founder of the Group's consumer finance operation. As at the date of this Composite Document, Ms. Lina Sio is a director and chief executive officer of Grantit Limited and a director of Shiny Rising Limited, which are both subsidiaries of the Company that operates an online lending mobile application and provides consumer finance to customers, respectively.

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2.2 The Offeror's intention in relation to the Group

As at the Latest Practicable Date, it is the intention of the Offeror that, after the close of the Offer, (i) the Group will continue with the existing business of the Group; and (ii) it has no current intention to (a) introduce any major changes to the existing business of the Group or (b) discontinue the employment of any of the Group's employees or (c) other than as disclosed by the Company, redeploy the fixed assets of the Group other than in its ordinary course of business.

The Offeror will continue to ensure good corporate governance and monitor and review the Group's business and operations from time to time. However, the Offeror reserves the right to make any changes that it deems necessary or appropriate to the Group's business and operations to optimise the value of the Group. As at the Latest Practicable Date, the Offeror has no intention, understanding, negotiation or arrangement (concluded or otherwise) to downsize, cessation or disposal of existing business of the Group; and to acquire or inject any new business to the Group.

As at the Latest Practicable Date, the Board comprises (i) Ms. Lina Sio and (ii) Mr. Chu, as executive Directors, (iii) Ms. Ali Sio as non-executive Director, and (iv) Mr. Hung Ka Hai, Clement, (v) Mr. Yeung Chi Wai, (vi) Mr. Wong Kwong Fat and (vii) Mr. Chan Shu Yan, Stephen as independent non-executive Directors. The Offeror has no intention to change the composition of the Board following the close of the Offer.

2.3 Listing status of the Group

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares (excluding treasury shares), are held by the public; or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealing in the Shares.

The Offeror intends the Company to remain listed on the Stock Exchange. The director of the Offeror and the Directors will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares. No such arrangements have been confirmed or put in place as at the Latest Practicable Date.

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3. Offer Price

3.1 Offer Price comparison

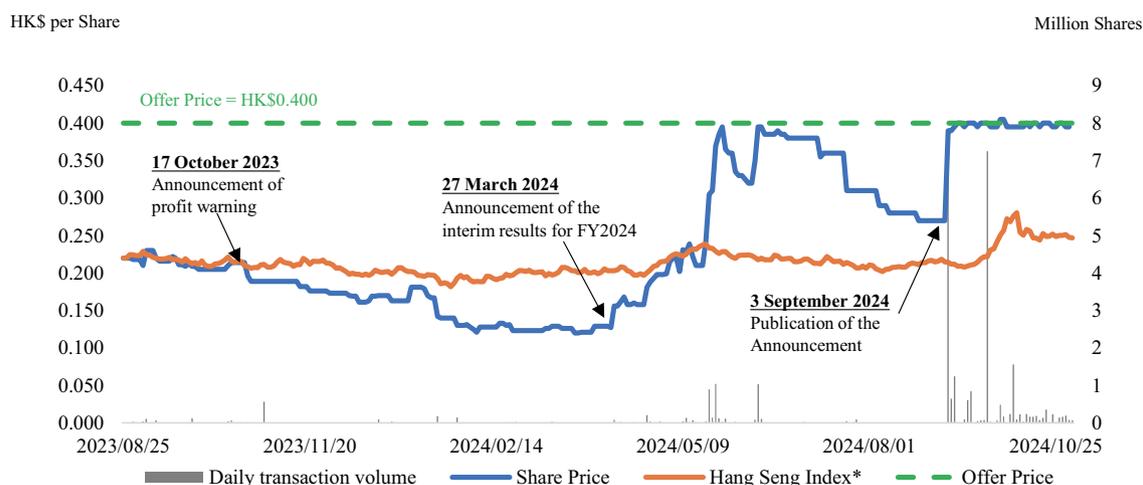
The Offer Price of HK\$0.400 per Offer Share is equal to the purchase price per Sale Share paid by the Offeror under the Sale and Purchase Agreement, which represents:

- (i) the closing price of HK\$0.400 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 48.148% over the closing price of HK\$0.270 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 45.985% over the average closing price of HK\$0.274 per Share based on the daily closing prices as quoted on the Stock Exchange for the five (5) trading days immediately prior to and including the Last Trading Day;
- (iv) a premium of approximately 44.404% over the average closing price of approximately HK\$0.277 per Share based on the daily closing prices as quoted on the Stock Exchange for the ten (10) consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a premium of approximately 32.013% over the average closing price of approximately HK\$0.303 per Share based on the daily closing prices as quoted on the Stock Exchange for the thirty (30) consecutive trading days immediately prior to and including the Last Trading Day;
- (vi) a discount of approximately 90.555% to the audited consolidated net assets attributable to owners of the Company per Share of approximately HK\$4.235 as at 31 July 2024, which was calculated based on the Group's audited consolidated net assets attributable to owners of the Company of approximately HK\$823,048,000 as at 31 July 2024 and a total of 194,337,559 Shares in issue as at the Latest Practicable Date; and
- (vii) a discount of approximately 91.825% to the Adjusted NAV per Share of approximately HK\$4.893 as at 31 July 2024, which the Adjusted NAV per Share as at 31 July 2024 is set out under the paragraph "PROPERTY INTEREST AND ADJUSTED NET ASSET VALUE" in Appendix II to the Composite Document.

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3.2 Analysis of historical price performance of Shares

Set out below is the movement of the closing price of the Shares and Hang Seng Index from 25 August 2023 to the Last Trading Day (i.e. 26 August 2024), being approximately 12 months period, and up to the Latest Practicable Date (the “**Review Period**”). We consider the length of such period is sufficient and representative to provide a general overview of the recent market performance of the Shares, which reflects the prevailing market sentiment for conducting a reasonable comparison between the closing prices of the Shares and the Offer Price.



Source: the website of the Stock Exchange (www.hkex.com.hk)

* Hang Seng Index is rebased to the closing price of Shares as at 25 August 2023

From the beginning of the Review Period until the Last Trading Day, the closing price of the Shares fluctuated within the range of HK\$0.120 (20 March 2024) and HK\$0.395 (28 May, 13 June and 14 June 2024), and the Offer Price represents a premium of approximately 80.7% over the average closing price during such period of HK\$0.221 per Share.

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Since the beginning of the Review Period until mid-October 2023, the closing price of the Shares exhibited a mild descending trend generally in line with the trend of Hang Seng Index. The descending trend of the closing Share prices become more substantial since mid-October 2023, which may be attributable to the profit warning announcement of the Company on 17 October 2023 in respect of the loss for the year recorded by the Group for FY2023. The closing Share price rebounded since end March 2024, which may be attributable to the positive interim results announced by the Group on 27 March 2024, as the Group has recorded a profit for the six months ended 31 January 2024 as compared to a loss for the corresponding period in 2023. The rebound continued until end-May 2024, after that the closing price of the Shares started to drop until the Last Trading Day, which was generally in line with the downward trend of the Hang Seng Index.

From the day when the trading of Shares resumed on 4 September 2024 until the Latest Practicable Date, the closing share price fluctuated within a higher range between HK\$0.390 and HK\$0.405, which was likely to be associated with the market response to the Offer. There is no assurance that the closing price of the Shares will remain at the current level or continue to rise if the Offer closes or lapses for any reason.

Save as disclosed above, we did not notice any other announcements of the Group during the Review Period which may have correlation to the share price movement shown in the chart above.

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3.3 Trading volume analysis

The table below sets out the average daily trading volume of the Shares on a monthly basis during the Review Period and the respective percentages of the average daily trading volume of the Shares as compared to the total number of issued Shares and the number of Shares held by Independent Shareholders.

Period/month	Average daily trading volume <i>(number of Shares)</i> <i>(Note 1)</i>	Approximate percentage of average daily trading volume to total number of issued Shares <i>%</i> <i>(Note 2)</i>	Approximate percentage of average daily trading volume to total number of issued Shares held by the Public <i>%</i> <i>(Note 3)</i>
2023			
August (from 25 August 2023)	7,527	*	0.01%
September	19,261	0.01%	0.02%
October	35,086	0.02%	0.04%
November	1,073	*	*
December	8,443	*	0.01%
2024			
January	15,790	0.01%	0.02%
February	3,153	*	*
March	3,393	*	*
April	22,413	0.01%	0.02%
May	128,359	0.07%	0.14%
June	68,035	0.04%	0.07%
July	8,581	*	0.01%
August	1,348	*	*
September	1,016,024	0.52%	1.11%
October and November (up to and including the Latest Practicable Date)	206,527	0.11%	0.23%

* Less than 0.01%

Source: the website of the Stock Exchange (www.hkex.com.hk)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days in the respective month/period.
2. Based on total number of Shares in issue as at the respective month/period end.
3. Based on the number of issued Shares held by the public Shareholders as at the Latest Practicable Date.

As illustrated in the above table, the average daily trading volume was low for each month/period during the Review Period, with a range from less than 0.01% to approximately 0.52% of the total number of Shares in issue and less than 0.01% to approximately 1.11% of the issued Shares held by the Independent Shareholders. We noted that the higher average daily volume for September 2024, which we believe that the increase in trading volume of the Shares was possibly due to the market reaction to the publication of Joint Announcement. The improvement of liquidity of the Shares indicated that, without the Offer, the Shares were generally illiquid in the open market and that the higher level of trading volume may not be sustainable after the Offer Period.

In view of the above, the Offer provides an opportunity for Independent Shareholders to realize their investment in the Company for cash regardless of the number of Shares they hold without exerting downward pressure on the market price of the Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3.4 Analysis of discount represented by the Offer Price to the NAV attributable to the owners of the Company per Share

The Offer Price of HK\$0.400 per Share represents a discount of (i) approximately 90.555% to the audited consolidated NAV attributable to owners of the Company per Share of approximately HK\$4.235 as at 31 July 2024; and (ii) approximately 91.825% to the Adjusted NAV per Share of approximately HK\$4.893. In assessing the Offer Price compared against the NAV, set out below is a table illustrating the historical Share prices against the published NAV for the 12-month period before the Last Trading Day:

From	To	NAV per Share (Note 1) (HK\$)	Average closing Share price (HK\$)	Highest closing Share price (HK\$)	Lowest closing Share price (HK\$)	Approximate discount of average closing Share price to NAV per Share	Approximate discount of highest closing Share price to NAV per Share	Approximate discount of lowest closing Share price to NAV per Share
25 August 2023	31 October 2023	4.391	0.211	0.230	0.189	(95.20)%	(94.76)%	(95.70)%
<i>(i.e. the period immediately before and up to the date when the annual results announcement of the Company for FY2023 was published)</i>								
1 November 2023	27 March 2024	4.219	0.152	0.189	0.120	(96.40)%	(95.52)%	(97.16)%
<i>(i.e. the period immediately before and up to the date when the interim results announcement of the Company for the six months ended 31 January 2024 was published)</i>								
28 March 2024	26 August 2024	4.248	0.286	0.395	0.127	(93.27)%	(90.70)%	(97.01)%
<i>(i.e. the period up to the Last Trading Day)</i>								

Source: the website of the Stock Exchange (www.hkex.com.hk)

Note 1: The latest published audited or unaudited consolidated NAV attributable to owners of the Company for respective period.

With reference to the table above, we noted that the Shares had been traded at a substantial discount to the NAV at all times during the 12-month period before the Last Trading Day ranging from approximately 90.70% to 97.16%, which was similar to the discount to NAV represented by the Offer Price. It can also be seen that the trading price of the Shares did not correlate to with the changes of the NAV. This may indicate that investors might not have valued the Shares based solely on the value of the Group's net assets and the Shareholders may not be able to realise their investments in the Shares through an on-market transaction at a price equal or similar to the NAV per Share.

Accordingly, in assessing the Offer Price, it would only be appropriate to consider the discount represented by the Offer Price to the NAV per Share, in conjunction with other factors including but not limited to the financial performance and business prospects of the Company and more particularly, the comparison of the Offer Price to the historical and prevailing Share prices and thin liquidity of Shares, which are more relevant from the perspective of Shareholders in considering the return from their investments in the Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3.5 Comparables analysis

In order to assess the fairness and reasonableness of the Offer Price, we have attempted to assess the fairness and reasonableness of the Offer Price from the perspective of price-to-earnings (“P/E”) ratio and price-to-book (“P/B”) ratio, which are commonly used benchmarks in assessing the valuation of a company.

The Group’s principal businesses include consumer financing, hotel operations and property development which have contributed to the Group’s revenue for FY2024. In respect of the property development business, the Group only has one property project with small amount of unsold units left as at the Latest Practicable Date that could bring in revenue in the near term. As such, for selecting the comparable companies, we set out criteria including companies (i) with principal businesses including both consumer financing and hotel operations businesses; and (ii) being listed on the Main Board of the Stock Exchange with market capitalisation of less than HK\$200 million as at the Latest Practicable Date. We have only identified one comparable company, namely Rich Goldman Holdings Ltd (stock code: 70.HK) (the “**Comparable Company**”), which is exhaustive based on the above criteria.

Independent Shareholders should note that despite the aforesaid criteria, the business, scale of operation, trading prospect, location of projects and capital structure of the Group are not exactly the same as those of the Comparable Company, and we have not conducted any in-depth investigation into the businesses and operations of the Comparable Company.

Company name (Stock code)	Principal businesses	Market capitalisation <i>(Note 1)</i> HK\$' million	P/E ratio <i>(Note 1)</i> times	P/B ratio <i>(Note 1)</i> times
Rich Goldman Holdings Ltd (70.HK)	Principally engaged in money lending business, hotel operations business, property leasing business and casino leisure, gaming, entertainment services businesses	111	N/A <i>(Note 2)</i>	0.10
The Company		78 <i>(Note 3)</i>	14.0 <i>(Note 4)</i>	0.08 <i>(Note 5)</i>

Source: Bloomberg, website of the Stock Exchange

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. The market capitalization of the Comparable Company is based on information extracted from Bloomberg as at the Latest Practicable Date. The P/B ratio of the Comparable Company is based on the market capitalization as at the Latest Practicable Date and the net asset value attributable to shareholders as at the latest financial period end reported in the company's financial reports or results.
2. Not applicable as the Comparable Company was loss-making for its latest financial year.
3. The implied market capitalization of the Company is calculated by multiplying the Offer Price of HK\$0.400 per Share and the number of issued Shares of 194,337,559 Shares as at the Latest Practicable Date.
4. The implied P/E ratio of the Company is calculated based on the implied market capitalization divided by the profit attributable to owners of the Company for FY2024.
5. The implied P/B ratio of the Company is calculated based on the implied market capitalization divided by the Adjusted NAV attributable to owners of the Company.

Given that the Comparable Company was loss-making for its latest financial year, we could only use P/B ratio for comparison. As shown above, the implied P/B ratio of the Company of approximately 0.08 times is lower than 0.10 times of the Comparable Company. Nonetheless, the Independent Shareholders are reminded that the above comparables analysis may not be meaningful in view of the limited sample size, and therefore, such analysis is for illustrative purpose only.

We consider that other types of comparables analysis, such as a comparison with recent offer transactions would not be meaningful neither for assessing the fairness and reasonableness of the Offer Price considering that these companies are operating in industries which are not identical to that of the Company, which therefore have different market fundamentals and prospects compared to those faced by the Group at this moment. There are also variations in terms of scale of operations, financial performance and position as well as trading prospects and hence difference in risk premiums afforded by the market.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the factors and reasons set out in this letter, in particular,

- (i) the outlook of the Group in the near term should be viewed cautiously, having considered, among others, (a) the Group was loss-making in FY2022 and FY2023 and just turned around from loss to profit in FY2024; (b) the Group only has one property project with small amount of unsold units left as at the Latest Practicable Date that could bring in revenue in the near term; (c) the Group's consumer financing business, being a key revenue source of the Group in recent years, has not reached break-even since it was launched in 2018; and (d) the uncertainties faced by the Group arising from the overall market conditions;
- (ii) the Offer Price is higher than the closing prices of the Shares on most of the trading days throughout Review Period, and represents a premium of approximately 80.7% over the average closing prices from the beginning of the Review Period until the Last Trading Day;
- (iii) the liquidity of the Shares was thin during the Review Period, rendering it difficult for the Independent Shareholders to dispose of their Shares in the market without exerting downward pressure on the Share price; and
- (iv) notwithstanding that the Offer Price represents a discount to the NAV attributable to owners of the Company per Share, it is noted that the Shares had been consistently traded at a similar discount to the NAV during the 12-month period before the Last Trading Day and the trading price of the Shares did not correlate with the changes in NAV, and therefore it may not be appropriate to assess the Offer Price solely based on the comparison with the NAV per Share,

we are of the opinion that the terms of the Offer are fair and reasonable. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer.

Independent Shareholders who intend to accept the Offer are reminded to closely monitor the market price and the liquidity of the Shares during the Offer Period for acceptance and should, having regard to their own circumstances and investment objectives, consider selling the Shares in the open market, instead of accepting the Offer, if the net proceeds from the sale of such Shares would be higher than the receivable under the Offer.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As different Independent Shareholders would have different investment criteria, objectives or risk appetite and profiles, we recommend any Independent Shareholders who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

Yours faithfully,
For and on behalf of
Quam Capital Limited
Leo Chan
Head of Corporate Finance

Mr. Leo Chan is the Head of Corporate Finance of Quam Capital Limited and is licensed under the SFO as a Responsible Officer to carry out, among others Type 6 (advising on corporate finance) regulated activity and has approximately 28 years of experience in corporate finance.

1. PROCEDURES FOR ACCEPTANCE OF THE OFFER

- (a) To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Offer. The instructions set out in this Composite Document should be read together with the instructions printed on the Form of Acceptance which form part of the terms of the Offer.

- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name and you wish to accept the Offer, you must send the duly completed and signed Form of Acceptance together with the relevant share certificate(s) and/ or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in any event by not later than 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as may be jointly announced by the Offeror and the Company in compliance with the Takeovers Code and approved by the Executive.

- (c) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your Shares, you must either:
 - (1) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the Form of Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), to the Registrar; or

 - (2) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver the Form of Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), to the Registrar; or

- (3) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC to accept the Offer on your behalf on or before the deadline set out by HKSCC. In order to meet the deadline set by HKSCC, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
 - (4) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.
- (d) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete and sign the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will constitute an irrevocable authority to the Offeror and/or Somerley or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance.
- (e) If the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Offer in respect of your Shares, you should nevertheless complete and sign the Form of Acceptance and deliver it to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title in respect of your Shares or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title, you should also write to the Registrar requesting a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar. The Offeror shall have the absolute discretion to decide whether any Shares in respect of which the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title is/are not readily available and/or is/are lost will be taken up by the Offeror.

- (f) Acceptance of the Offer will be treated as valid only if the completed Form of Acceptance is received by the Registrar by no later than 4:00 p.m. on the Closing Date (or such later time and/or date as the Offeror may determine and the Offeror and the Company may jointly announce with the consent of the Executive and in accordance with Note 1 to Rule 30.2 of the Takeovers Code), and the Registrar has recorded that the acceptance and any relevant documents required, under paragraph (g) below have been so received.
- (g) Acceptance of the Offer may not be counted as valid unless the Form of Acceptance is duly completed and signed and is:
- (1) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents in order to establish your right to become the registered holder of the relevant Shares; or
 - (2) from a registered Shareholder or his/her personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another subparagraph under this paragraph (g)); or
 - (3) certified by the Registrar or the Stock Exchange.

If the Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (such as grant of probate or certified copy of power of attorney) to the satisfaction of the Registrar must be produced.

- (h) No acknowledgement of receipt of any Form of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

2. SETTLEMENT OF THE OFFER

- (a) Provided that a valid Form of Acceptance and the relevant certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the relevant Shares are complete and in good order in all respects and have been received by the Registrar before the close of the Offer, settlement of the consideration, less seller's ad valorem stamp duty, will be made by cheque as soon as possible, but in any event no later than seven Business Days after the date on which the duly completed acceptance of the Offer and the relevant documents of title of the Offer Shares in respect of such acceptance are received by the Offeror to render each such acceptance complete and valid pursuant to Rule 20.1 and Note 1 to Rule 30.2 of the Takeovers Code. Each cheque will be despatched by ordinary post to the address specified on the relevant Independent Shareholder's Form of Acceptance at his/her/ its own risk.
- (b) No fractions of a cent will be payable and the amount of cash consideration payable to a Shareholder who accepts the Offer will be rounded up to the nearest cent.
- (c) Settlement of the consideration to which any accepting Independent Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer (save with respect to the payment of seller's ad valorem stamp duty) set out in this Composite Document, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Independent Shareholder.
- (d) Cheque(s) not presented for payment within six months from the date of issue of the relevant cheques will not be honoured and be of no further effect, and in such circumstances cheque holders should contact the Offeror for payment.

3. ACCEPTANCE PERIOD

- (a) The Offer is made on 6 November 2024, namely the date of despatch of this Composite Document, and is capable of acceptance on and from this date.
- (b) Unless the Offer has previously been extended with the consent of the Executive, the Form of Acceptance must be received by the Registrar in accordance with the instructions printed thereon by 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as the Offeror may determine and the Offeror and the Company may jointly announce in compliance with the Takeovers Code with the consent of the Executive.

- (c) In the event that the Offeror decides to extend the Offer, at least 14 days' notice by way of announcement will be given, before the latest time and date for acceptance of the Offer, to those Independent Shareholders who have not accepted the Offer.
- (d) If the Closing Date is extended, any reference in this Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the Closing Date so extended.

4. ANNOUNCEMENTS

- (a) By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the extension or expiry of the Offer. The Offeror must publish an announcement on the Stock Exchange's website no later than 7:00 p.m. on the Closing Date stating whether the Offer has been extended or closed.

The announcement will state the total number of Shares:

- (1) for which acceptances of the Offer have been received;
- (2) held, controlled or directed by the Offeror and parties acting in concert with it before the Offer Period; and
- (3) acquired or agreed to be acquired during the Offer Period by the Offeror and parties acting in concert with it.

The announcement will also include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror and parties acting in concert with it have borrowed or lent, save for any borrowed securities which have been either on-lent or sold. The announcement will also specify the percentages of the issued share capital of the Company and the percentages of voting rights represented by these numbers.

- (b) In computing the total number of Shares represented by acceptances, only valid acceptances that are complete and in good order and satisfy the acceptance conditions set out in the section headed "1. Procedures for Acceptance of the Offer" of this Appendix and which have been received by the Registrar no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offer, shall be included.
- (c) As required under the Takeovers Code, all announcements in relation to the Offer will be made in accordance with the requirements of the Takeovers Code and the Listing Rules.

5. NOMINEE REGISTRATION

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold Shares as nominee on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owner separately. It is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

6. RIGHT OF WITHDRAWAL

- (a) Acceptance of the Offer tendered by the Independent Shareholders or by their respective agent(s) on their behalf shall be irrevocable and cannot be withdrawn, except in the circumstances set out below.
- (b) If the Offeror is unable to comply with the requirements set out in the section headed “4. Announcements” in this Appendix above, the Executive may require, pursuant to Rule 19.2 of the Takeovers Code, that the Independent Shareholders who have tendered acceptances to the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements of Rule 19 of the Takeovers Code can be met.

In such case, when the Independent Shareholders withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event no later than seven Business Days after receipt of the notice of withdrawal, return by ordinary post the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Shares lodged with the Form of Acceptance to those Independent Shareholders who have exercised their right to withdraw at their own risks.

Save as aforesaid, acceptances of the Offer shall be irrevocable and not capable of being withdrawn. By accepting the Offer, the Independent Shareholders will sell their Shares to the Offeror free from all Encumbrances and together with all rights accruing or attaching to them, including, without limitation, the right to receive all dividends and distributions which may be recommended, declared, made or paid, if any, at any time on or after the date on which the Offer is made, being the date of the despatch of this Composite Document.

7. OVERSEAS SHAREHOLDERS

The Offeror intends to make the Offer available to all the Independent Shareholders, including the Overseas Shareholders. The availability of the Offer to any Overseas Shareholders may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. Overseas Shareholders should observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers. It is the sole responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection therewith, including but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required or the compliance with other necessary formalities, regulatory and/or legal requirements and the payment of any issue, transfer or other taxes or other required payments due by such Overseas Shareholders in respect of such jurisdictions.

The Offeror, the parties acting in concert with the Offeror, the Company, Somerley, the Independent Financial Adviser, the Registrar, the company secretary of the Company or any of their respective ultimate beneficial owners, directors, officers, agents, advisers and associates and any other person involved in the Offer shall be entitled to be fully indemnified and held harmless by the Overseas Shareholders for any taxes as such persons may be required to pay.

Any acceptance of the Offer by any Overseas Shareholder will be deemed to constitute a representation and warranty by such person that such person is permitted under applicable laws and regulations to receive and accept the Offer, and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws and regulations. Any such person is recommended to seek professional advice on deciding whether or not to accept the Offer.

8. STAMP DUTY

The seller's Hong Kong ad valorem stamp duty on acceptances of the Offer (or part thereof) at a rate of 0.1% of the consideration payable in respect of the relevant acceptances by the Shareholders, or if higher, the market value of the Shares subject to such acceptance, will be deducted from the amount payable to those relevant Shareholders who accept the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Shareholders who accept the Offer and pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptances of the Offer and the transfers of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

9. TAXATION ADVICE

The Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the members of the Offeror and parties acting in concert with it, the Company, Somerley and their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

10. GENERAL

- (a) All communications, notices, Form of Acceptance, share certificates, title document(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offer to be delivered by or sent to or from the Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Offeror, parties acting in concert with the Offeror, the Company, Somerley, the Registrar and their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer, accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the accompanying Form of Acceptance form part of the terms of the Offer.
- (c) The accidental omission to despatch this Composite Document and/or Form of Acceptance or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.
- (d) The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (e) Due execution of the Form of Acceptance will constitute an authority to the Offeror, Somerley or such person or persons as the Offeror may direct to complete and execute any document on behalf of the person or persons accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror or such person or persons as it may direct the Shares in respect of which such person or persons has accepted the Offer.

- (f) Acceptance of the Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror, Somerley and the Company:
- (1) that such Offer Shares acquired under the Offer are sold by the Shareholders free from all third party rights, liens, claims, charges, equities and encumbrances and together with all rights accruing or attaching thereto on the Closing Date or subsequently becoming attached to them, including, without limitation, in the case of the Shares, the rights to receive all future dividends and/or other distributions declared, paid or made, if any, on or after the Closing Date; and
 - (2) that if such Shareholder accepting the Offer is an Overseas Shareholder, he/she has observed the laws of all relevant territories, obtained all requisite governmental, exchange control or other consents and any registration or filing, complied with all requisite formalities, regulatory and/or legal requirements and paid any issue, transfer or other taxes or other required payments due from him/her in connection with such acceptance in any territory, that he/she has not taken or omitted to take any action which will or may result in the Offeror, parties acting in concert with the Offeror, the Company, Somerley or any of their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer acting in breach of the legal or regulatory requirements of any territory in connection with the Offer or his/her acceptance thereof, and is permitted under all applicable laws to accept the Offer, and that such acceptance is valid and binding in accordance with all applicable laws.
- (g) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares it has indicated in the Form of Acceptance is the aggregate number of Shares for which such nominee has received authorisations from the beneficial owners to accept the Offer on their behalf.
- (h) In making their decision, the Independent Shareholders must rely on their own examination of the Offeror, the Group and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein, together with the Form of Acceptance, shall not be construed as any legal or business advice on the part of the Offeror or parties acting in concert with it, the Company or their respective ultimate beneficial owners, directors, officers, agents, professional advisers or any other persons involved in the Offer. The Independent Shareholders should consult their own professional advisers for professional advices.
- (i) Reference to the Offer in this Composite Document and in the Form of Acceptance shall include any extension thereof.

- (j) The English text of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese text for the purpose of interpretation in case of inconsistency.

- (k) Unless otherwise expressly stated in this Composite Document and/or the Form of Acceptance, no person other than the Offeror and the accepting Independent Shareholders may enforce any terms of the Offer that will arise out of complete and valid acceptances under the Contracts (Rights of Third Parties) Ordinance (Chapter 623 of the Laws of Hong Kong).

1. SUMMARY OF FINANCIAL INFORMATION OF THE COMPANY

The following is a summary of certain audited consolidated financial information of the Company for the three financial years ended 31 July 2022, 2023 and 2024, as extracted from the annual reports of the Company for the years ended 31 July 2022 and 2023, and the annual results announcement of the Company for the year ended 31 July 2024, respectively.

	For the financial year ended 31 July		
	2022	2023	2024
	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)
Revenue	87,273	36,876	56,399
Cost of sales	(32,598)	(510)	(9,644)
Direct operating costs	<u>(2,402)</u>	<u>(3,070)</u>	<u>(4,005)</u>
Gross profit	52,273	33,296	42,750
Other gains and losses	(38,436)	(5,242)	(6,271)
Impairment losses under expected credit loss (“ECL”) model, net	(15,183)	(13,794)	(9,406)
Other income	11,363	14,510	17,298
Marketing expenses	(5,470)	(5,637)	(3,959)
Administrative expenses	(42,056)	(45,283)	(45,127)
Other hotel operating expenses	(13,825)	(11,385)	(11,069)
Share of profit/(loss) of an associate	(25,264)	(991)	20,287
Finance costs	<u>(101)</u>	<u>(33)</u>	<u>(49)</u>
Profit/(loss) before taxation	(76,699)	(34,559)	4,454
Income tax (expense) credit	<u>(27,617)</u>	<u>862</u>	<u>(667)</u>
Profit/(loss) for the year	<u>(104,316)</u>	<u>(33,697)</u>	<u>3,787</u>
Other comprehensive expense:			
<i>Item may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations	<u>(11,260)</u>	<u>(18,465)</u>	<u>(3,260)</u>
Other comprehensive expense for the year	<u>(11,260)</u>	<u>(18,465)</u>	<u>(3,260)</u>
Total comprehensive income/(expenses) for the year	<u><u>(115,576)</u></u>	<u><u>(52,162)</u></u>	<u><u>527</u></u>

	For the financial year ended 31 July		
	2022	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Profit/(loss) for the year attributable to:			
Owners of the Company	(98,255)	(29,967)	5,569
Non-controlling interests	<u>(6,061)</u>	<u>(3,730)</u>	<u>(1,782)</u>
	<u><u>(104,316)</u></u>	<u><u>(33,697)</u></u>	<u><u>3,787</u></u>
Total comprehensive income/(expenses) attributable to:			
Owners of the Company	(106,700)	(43,835)	3,085
Non-controlling interests	<u>(8,876)</u>	<u>(8,327)</u>	<u>(2,558)</u>
	<u><u>(115,576)</u></u>	<u><u>(52,162)</u></u>	<u><u>527</u></u>
Earnings/(loss) per share			
– Basic – HK cents	<u><u>(50.6)</u></u>	<u><u>(15.4)</u></u>	<u><u>2.9</u></u>
Dividend	NIL	NIL	NIL
Dividend per share	<u><u>NIL</u></u>	<u><u>NIL</u></u>	<u><u>NIL</u></u>

The Board did not recommend the payment of final dividend for the years ended 31 July 2022, 2023 and 2024, respectively.

Qualified Opinion of Auditors for the financial year ended 31 July 2022

For the financial year ended 31 July 2022, the Group's then auditor, Deloitte Touche Tohmatsu, issued a qualified opinion, an extract of which is as follows:

“Qualified Opinion

We have audited the consolidated financial statements of Capital Estate Limited (the “**Company**”) and its subsidiaries (collectively referred to as “**the Group**”) set out on pages 40 to 112, which comprise the consolidated statement of financial position as at 31st July, 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st July, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis of the Qualified Opinion

As detailed in note 16 to the consolidated financial statements, the Group holds 32.5% equity interest in an associate, Tin Fok Holding Company Limited (“**Tin Fok**”), which is engaged in hotel operations and property investment in Macao Special Administrative Region of the People’s Republic of China. The spouse and daughters of a former director of the Company, Mr. Sio Tak Hong (“**Mr. Sio**”), have beneficial interest in Tin Fok. The Group accounted for its interest in Tin Fok using equity method of accounting based on the unaudited consolidated financial statements of Tin Fok and its subsidiary (together, “**Tin Fok Group**”) for the year ended 31st July, 2022 prepared in accordance with HKFRSs. The Group has recognised a share of loss of an associate amounting to HK\$25,264,000 on the consolidated statement of profit or loss and other comprehensive income for the year ended 31st July, 2022 and carried an interest in an associate amounting to HK\$145,866,000 on the consolidated statement of financial position as at 31st July, 2022, in which no impairment was recognised. Furthermore, as detailed in notes 22 and 20 to the consolidated financial statements, the Group carried an amount due from an associate and dividend receivable from an associate amounting to HK\$8,031,000 and HK\$12,621,000 respectively as at 31st July, 2022, in which no expected credit loss (“**ECL**”) allowance was recognised. Significant management judgements and estimates have been involved in assessing these balances.

Interest in an associate

- (1) Tin Fok Group carried (a) a loan to Mr. Sio amounting to HK\$967,600,000 in which no ECL allowance was recognised; and (b) property, plant and equipment in respect of its hotel operations amounting to HK\$634,017,000 in which no impairment was recognised on its consolidated statement of financial position as at 31st July, 2022. The Group’s share of result of an associate and interest in an associate would be adversely affected if there were any significant ECL allowance or impairment loss recognised by Tin Fok Group for the year ended 31st July, 2022.
 - (a) As set out in note 4(a)(i) to the consolidated financial statements, subsequent to the reporting period end, the loan to Mr. Sio was novated to another private entity related to Mr. Sio. Considered the net asset position

of that related entity, the management of the Group is of the view that there was no significant increase in credit risk of the loan to Mr. Sio and no ECL allowance in respect of loan to Mr. Sio under HKFRS 9 “Financial Instruments” (“**HKFRS 9**”) issued by the HKICPA is recognised in the consolidated financial statements of Tin Fok Group for the year ended 31st July, 2022. However, there was no repayment from Mr. Sio and Mr. Sio was being charged for several crimes during the year ended 31st July, 2022. In addition, the management of the Group was not able to provide us the ECL assessment on loan to Mr. Sio from Tin Fok Group, including the methodology adopted, the assumptions applied and the data used as required by HKFRS 9, for the purposes of equity accounting the results of the Group.

- (b) As set out in note 4(a)(ii) to the consolidated financial statements, with impairment indicators identified on the property, plant and equipment in respect of Tin Fok Group’s hotel operations, the management of the Group is required to assess the recoverable amount of these property, plant and equipment, being the higher of the fair value less cost of disposal and value in use, as required by HKAS 36 “Impairment of Assets” (“**HKAS 36**”) issued by the HKICPA for the purposes of equity accounting the results of Tin Fok Group. The management of the Group estimated the value in use of the property, plant and equipment in respect of Tin Fok Group’s hotel operations based on a 5-year discounted cash flow projection prepared by the management of Tin Fok Group with key assumptions, including the room rate, room occupancy rate and discount rate. However, the management of Tin Fok did not provide the details of the key assumptions used in the discounted cash flow projection to the management of the Group who was then not able to provide us with sufficient appropriate information to support the reasonableness of these key assumptions used in the discounted cash flow projection. In addition, the management of the Group did not provide us their assessment of the fair value less cost of disposal of the property, plant and equipment in respect of Tin Fok Group’s hotel operations for the purposes of equity accounting the results of Tin Fok Group.

We were therefore unable to obtain sufficient appropriate audit evidence we considered necessary to assess ECL on loan to Mr. Sio and impairment on property, plant and equipment in respect of Tin Fok Group's hotel operations as at 31st July, 2022. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves that loan to Mr. Sio as at 31st July, 2022, property, plant and equipment in respect of Tin Fok Group's hotel operations as at 31st July, 2022 and the loss of Tin Fok Group for the year ended 31st July, 2022 recorded in the consolidated financial statements of Tin Fok Group for the year ended 31st July, 2022; and hence interest in an associate as at 31st July, 2022 and share of loss of an associate for the year ended 31st July, 2022 recorded in the consolidated financial statements of the Group are free from material misstatements. In addition, we were also unable to determine whether the disclosures in the consolidated financial statements of the Group related to interest in an associate and share of loss of an associate were sufficient and appropriate.

- (2) As set out in note 4(b) to the consolidated financial statements, the management of the Group considers that as at 31st July, 2022, there was impairment indicator of the Group's interest in Tin Fok due to the deterioration of the operation results of Tin Fok Group and the uncertainties related to operation of Tin Fok Group mentioned in note 4(a) to the consolidated financial statements. In respect of the impairment assessment of interest in an associate, the management of the Group is required to assess the recoverable amount of the interest in Tin Fok Group, being the higher of its fair value less cost of disposal and value in use, as required by HKAS 36. The Group's results would be adversely affected if there were any significant impairment loss on interest in an associate recognised by the Group for the year ended 31st July, 2022. The management of the Group estimated the value in use of the interest in Tin Fok Group based on same set of 5-year discounted cash flow projection as mentioned in (1)(b) above in which the management of the Group was not able to provide us with sufficient appropriate information to support the reasonableness of the key assumptions adopted in the discounted cash flow projection. In addition, the management of the Group did not provide us their assessment of the fair value less cost of disposal of the interest in Tin Fok Group.

We were therefore unable to obtain sufficient appropriate audit evidence we considered necessary to assess impairment on interest in an associate as at 31st July, 2022. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves that interest in an associate as at 31st July, 2022 and loss for the year ended 31st July, 2022 recorded in the consolidated financial statements of the Group are free from material misstatements. In addition, we were also unable to determine whether the disclosures in the consolidated financial statements of the Group related to impairment assessment of interest in an associate were sufficient and appropriate.

Amount due from an associate and dividend receivable from an associate

As set out in note 4(b) to the consolidated financial statements, considering the consolidated financial position of Tin Fok Group and historical repayment records, the management of the Group is of the view that there was no significant increase in credit risk of the amount due from Tin Fok and dividend receivable from Tin Fok and no ECL allowance under HKFRS 9 in respect of amount due from an associate and dividend receivable from an associate is recognised in the consolidated financial statements of the Group for the year ended 31st July, 2022. However, the management of the Group was not able to provide us the ECL assessment on amount due from an associate and dividend receivable from an associate, including the methodology adopted, the assumptions applied and the data used as required by HKFRS 9.

We were therefore unable to obtain sufficient appropriate audit evidence we considered necessary to assess ECL on amount due from an associate and dividend receivable from an associate as at 31st July, 2022. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves that amount due from an associate and dividend receivable from an associate at 31st July, 2022 recorded in the consolidated financial statements of the Group are free from material misstatements. In addition, we were also unable to determine whether the disclosures in the consolidated financial statements of the Group related to ECL assessment of amount due from an associate and dividend receivable from an associate were sufficient and appropriate.

It is not practicable for us to quantify the effects of the scope limitation in relation to the above-mentioned matters on the consolidated financial statements of the Group for the year ended 31st July, 2022. Consequently, we were unable to determine whether any adjustments to interest in an associate, amount due from an associate and dividend receivable from an associate were necessary.

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSA**s”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the

HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion."

Qualified Opinion of Auditors for the financial year ended 31 July 2023

For the financial year ended 31 July 2023, the Group's then auditor, Deloitte Touche Tohmatsu, issued a qualified opinion, an extract of which is as follows:

“Qualified Opinion

We have audited the consolidated financial statements of Capital Estate Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 57 to 126, which comprise the consolidated statement of financial position as at 31st July, 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st July, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

As detailed in notes 4(a) and 16 to the consolidated financial statements, the Group holds 32.5% equity interest in an associate, Tin Fok Holding Company Limited ("Tin Fok"), which is engaged in hotel operations and property investment in Macao Special Administrative Region of the People's Republic of China. The ultimate controlling shareholders of Tin Fok are the spouse and daughters of a former director of the Company, Mr. Sio Tak Hong ("Mr. Sio"). The Group accounted for its interest in Tin Fok using equity method of accounting based on the unaudited consolidated financial statements of Tin Fok and its subsidiary (together, "Tin Fok Group") for the years ended 31st July, 2022 and 31st July, 2023 prepared in accordance with HKFRSs provided by management of Tin Fok. The Group has recognised a share of loss of an associate amounting to HK\$25,264,000 and HK\$991,000 on the consolidated statement of profit or loss and other comprehensive income for the years ended 31st July, 2022 and 31st July, 2023, respectively and carried an interest in an associate amounting to HK\$145,866,000 and HK\$144,875,000 on the consolidated statement of financial position as at 31st July, 2022 and 31st July,

2023, respectively, in which no impairment was recognised for both years. Furthermore, as detailed in notes 22 and 20 to the consolidated financial statements, the Group carried an amount due from an associate amounting to HK\$8,031,000 and HK\$7,524,000 as at 31st July, 2022 and 31st July, 2023, respectively and dividend receivable from an associate amounting to HK\$12,621,000 as at 31st July, 2022 and 31st July, 2023, in which no expected credit loss (“ECL”) allowance was recognised on these receivables from the associate for both years. Significant management judgements and estimates are involved in assessing these balances.

As set out in our auditor’s report dated 31st October, 2022 on the Group’s consolidated financial statements for the year ended 31st July, 2022, we have previously qualified our opinion due to the limitation on the scope of our audit as we were unable to obtain sufficient appropriate audit evidence to assess:

- (i) ECL on loan to Mr. Sio and impairment on property, plant and equipment in respect of Tin Fok Group’s hotel operations; and hence whether interest in an associate as at 31st July, 2022 and share of loss of an associate for the year ended 31st July, 2022 recorded in the consolidated financial statements of the Group for the year ended 31st July, 2022 were free from material misstatements;
- (ii) impairment on interest in an associate as at 31st July, 2022 and hence whether interest in an associate as at 31st July, 2022 and loss for the year ended 31st July, 2022 recorded in the consolidated financial statements of the Group were free from material misstatements; and
- (iii) ECL on amount due from an associate and dividend receivable from an associate as at 31st July, 2022 and hence whether amount due from an associate and dividend receivable from an associate at 31st July, 2022 and loss for the year ended 31st July, 2022 recorded in the consolidated financial statements of the Group were free from material misstatements;

and we were unable to determine whether any adjustments to interest in an associate, amount due from an associate and dividend receivable from an associate as at 31st July, 2022, and share of loss of an associate and loss for the year ended 31st July, 2022 recorded in the consolidated financial statements of the Group were necessary. In addition, we were also unable to determine whether the related disclosures in the consolidated financial statements of the Group for the year ended 31st July, 2022 were sufficient and appropriate.

Interest in an associate

- (1)(a) As set out in note 4(a) to the consolidated financial statements, Tin Fok Group carried a loan to Mr. Sio and interest receivables from Mr. Sio amounting to HK\$967,600,000 and HK\$30,972,000, respectively, in which no ECL allowance was recognised on its consolidated statement of financial position as at 31st July, 2022. During the year ended 31st July, 2023, Tin Fok, Mr. Sio, certain private companies that are related companies of Mr. Sio and an individual entered into a Deed of Novation. Pursuant to the Deed of Novation, (i) the loan to Mr. Sio amounting to HK\$967,600,000, (ii) interest receivables from Mr. Sio amounting to HK\$30,972,000, and (iii) payables to a private company and the individual carried in the consolidated financial statements of Tin Fok Group with an aggregate amount of HK\$290,570,000 were novated to another private company which is a related company of Mr. Sio (“**Entity A**”).

During the year ended 31st July, 2023, repayments from Entity A amounting to HK\$55,363,000 were received by Tin Fok Group. As at 31st July, 2023, Tin Fok Group carried the loan to Entity A and the related interest receivables amounting to HK\$629,862,000 and HK\$59,626,000, respectively. The loan to Entity A carried in the consolidated financial statements of Tin Fok Group is unsecured and interest bearing, and the repayment date of the loan was extended to 30th September, 2023 pursuant to the Supplemental Deed to the Deed of Novation entered into among Tin Fok, Mr. Sio, certain private companies that are related companies of Mr. Sio and an individual during the year ended 31st July, 2023. For the purposes of equity accounting the results of Tin Fok Group for the year ended 31st July, 2023, the management of Tin Fok and the management of the Group assessed the ECL of the loan to and interest receivables from Entity A carried in the consolidated financial statements of Tin Fok Group. The management of Tin Fok and the management of the Group are of the view that, by considering the net asset position of Entity A, the credit risk related to the loan to and interest receivables from Entity A was not significantly increased and the amounts are still recoverable and hence no ECL allowance in respect of loan to and interest receivables from Entity A under HKFRS 9 “Financial Instruments” (“**HKFRS 9**”) issued by the HKICPA in the consolidated financial statements of Tin Fok Group for the year ended 31st July, 2023 is required. However, the management of the Group was not able to provide us the ECL assessment on the loan to and interest receivables from Entity A carried in the consolidated financial statements of Tin Fok Group, including the methodology adopted, the assumptions applied and the reasonable and supportable information used as required by HKFRS 9.

The Group's share of result of an associate and interest in an associate would be adversely affected if there were any significant ECL allowance on loan to and interest receivables from Entity A recognised by Tin Fok Group for the year ended 31st July, 2023.

We were therefore unable to obtain sufficient appropriate audit evidence we considered necessary to assess amount of ECL allowance on loan to and interest receivables from Entity A should be recognised in the consolidated financial statements of Tin Fok Group for the year ended 31st July, 2023. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves that (i) loan to and interest receivables from Entity A as at 31st July, 2023 and the loss of Tin Fok Group for the year ended 31st July, 2023 recorded in the consolidated financial statements of Tin Fok Group for the year ended 31st July, 2023; and hence (ii) interest in an associate as at 31st July, 2023 and share of loss of an associate for the year ended 31st July, 2023 recorded in the consolidated financial statements of the Group for the year ended 31st July, 2023 are free from material misstatements. In addition, we were also unable to determine whether the disclosures in the consolidated financial statements for the year ended 31st July, 2023 of the Group related to interest in an associate and share of loss of an associate were sufficient and appropriate.

- (1)(b) As set out in note 16(ii) to the consolidated financial statements, as at 31st July, 2022, with impairment indication identified by the management of Tin Fok and the management of the Group on the property, plant and equipment in respect of Tin Fok Group's hotel operations due to the deterioration of the operation results and uncertainties related to operation of Tin Fok Group, the management of the Group and the management of Tin Fok were required to assess the recoverable amount of these property, plant and equipment, being the higher of the fair value less cost of disposal and value in use, as required by HKAS 36 "Impairment of Assets" ("**HKAS 36**") issued by the HKICPA for the purposes of equity accounting the results of Tin Fok Group for the year ended 31st July, 2022. The management of Tin Fok and the management of the Group estimated the value in use of the property, plant and equipment in respect of Tin Fok Group's hotel operations based on a 5-year discounted cash flow projection prepared by the management of Tin Fok Group with key assumptions, including the room rate, room occupancy rate and discount rate. However, the management of Tin Fok did not provide the details of the key assumptions used in the discounted cash flow projection to the management of the Group who was then not able to provide us with sufficient appropriate information to support the reasonableness of these key assumptions used in the discounted cash flow projection. In addition, the management of Tin Fok and the management of the Group did not provide us with their assessment of the fair value less cost of disposal of the property, plant and equipment in respect of Tin Fok Group's hotel operations for

the purposes of equity accounting the results of Tin Fok Group for the year ended 31st July, 2022. This caused us to qualify our audit opinion on the consolidated financial statements of the Group for the year ended 31st July, 2022. As set out in note 16(ii) to the consolidated financial statements, the management of Tin Fok and the management of the Group considered there was no impairment indication of property, plant and equipment in respect of Tin Fok Group's hotel operations subsequent to the reopening of border by the Macao government in early January 2023. However, given the lack of sufficient appropriate audit evidence to support the reasonableness of the key assumptions used by the management of Tin Fok and the management of the Group in estimating the value in use of the property, plant and equipment in respect of Tin Fok Group's hotel operations and the lack of assessment of fair value less cost of disposal of the property, plant and equipment in respect of Tin Fok Group's hotel operations in their previous year's assessments of the impairment of the property, plant and equipment in respect of Tin Fok Group's hotel operations, as of the date of this report, we were unable to determine whether any impairment adjustments were necessary to the opening balance of the property, plant and equipment in respect of Tin Fok Group's hotel operations as at 1st August, 2022, which would consequentially impact whether any reversal of impairment on the property, plant and equipment should be recognised in the consolidated financial statements of the Tin Fok Group for the year ended 31st July, 2023. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves that (i) the loss of Tin Fok Group for the year ended 31st July, 2023 recorded in the consolidated financial statements of Tin Fok Group for the year ended 31st July, 2023 and hence (ii) the share of loss of an associate for the year ended 31st July, 2023 recorded in the consolidated financial statements of the Group for the year ended 31st July, 2023 are free from material misstatements. In addition, we were also unable to determine whether the disclosures in the consolidated financial statements for the year ended 31st July, 2023 of the Group related to interest in an associate and share of loss of an associate were sufficient and appropriate.

- (2) As set out in note 4(b) to the consolidated financial statements, the management of the Group considers that as at 31st July, 2022, there was impairment indication of the Group's interest in Tin Fok due to the deterioration of the operation results of Tin Fok Group and the uncertainties related to operation of Tin Fok Group. In respect of the impairment assessment of interest in an associate, the management of the Group was required to assess the recoverable amount of the interest in Tin Fok, being the higher of its fair value less cost of disposal and value in use, as required by HKAS 36. The Group's results would be adversely affected if there were any significant impairment loss on interest in an associate recognised by the Group for the year ended 31st July, 2022. The management of the Group estimated the value in use of the interest in Tin Fok based on same set of 5-year discounted cash flow projection as mentioned in (1) (b) above in which the management of the Group was not able to provide us with sufficient appropriate information to support the reasonableness of the key assumptions adopted in the discounted cash flow projection. In addition, the management of the Group did not provide us with their assessment of the fair value less cost of disposal of the interest in Tin Fok. This caused us to qualify our audit opinion on the consolidated financial statements of the Group for the year ended 31st July, 2022. As set out in note 4(b) to the consolidated financial statements, the management of the Group considered there was no impairment indication of Group's interest in Tin Fok as at 31st July, 2023, as a result of significant improvement in the hotel operations of Tin Fok. However, given the lack of sufficient appropriate audit evidence to support the reasonableness of the key assumptions used by management in estimating the recoverable amount of the interest in Tin Fok and the lack of assessment of fair value less cost of disposal of the interest in Tin Fok in their previous year's assessments of the impairment of the Group's interest in Tin Fok, as of the date of this report, we were unable to determine whether any impairment adjustments were necessary to the opening balance of the interest in an associate as at 1st August, 2022, which would consequentially impact whether any reversal of impairment on interest in an associate should be recognised in the consolidated financial statements of the Group for the year ended 31st July, 2023. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves that loss for the year ended 31st July, 2023 recorded in the consolidated financial statements of the Group are free from material misstatements. In addition, we were also unable to determine whether the disclosures in the consolidated financial statements of the Group related to previous year's impairment assessment of interest in an associate were sufficient and appropriate.

Amount due from an associate and dividend receivable from an associate

As set out in note 4(b) to the consolidated financial statements, considering the consolidated financial position of Tin Fok Group and historical repayment records, the management of the Group are of the view that amount due from Tin Fok and dividend due from Tin Fok are still recoverable and hence no ECL allowance in respect of amount due from an associate and dividend receivable from an associate under HKFRS 9 is recognised in the consolidated financial statements of the Group for the year ended 31st July, 2023. However, due to the uncertainties related to the timing and amount of expected future cash inflow arising from settlement of the loan to and interest receivables from Entity A carried in the consolidated financial statements of Tin Fok Group which might in turn affect the financial ability of Tin Fok Group, the management was not able to provide us the ECL assessment on amount due from Tin Fok and the dividend receivable from Tin Fok, including the methodology adopted, the assumptions applied and the reasonable and supportable information used as required by HKFRS 9.

We were therefore unable to obtain sufficient appropriate audit evidence we considered necessary to assess amount to ECL allowance on amount due from an associate and dividend receivable from an associate should be recognised in the consolidated financial statements of the Group for the year ended 31st July, 2023. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves that amount due from an associate and dividend receivable from an associate as at 31st July, 2023 recorded in the consolidated financial statements of the Group are free from material misstatements. In addition, we were also unable to determine whether the disclosures in the consolidated financial statements of the Group related to ECL assessment of amount due from an associate and dividend receivable from an associate were sufficient and appropriate.

It is not practicable for us to quantify the effects of the scope limitation in relation to the above-mentioned matters on the consolidated financial statements of the Group for the year ended 31st July, 2023. Consequently, we were unable to determine whether any adjustments to share of loss of an associate, interest in an associate, amount due from an associate and dividend receivable from an associate were necessary.

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSA**s”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.”

Qualified Opinion of Auditors for the financial year ended 31 July 2024

For the financial year ended 31 July 2024, the Group’s auditor, Baker Tilly Hong Kong Limited, issued a qualified opinion, an extract of which is as follows:

“Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 July 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

Interest in an associate and amounts due from an associate and dividend receivables from an associate

The Group holds a 32.5% equity interest in an associate, Tin Fok Holding Company Limited (“**Tin Fok**”), which is engaged in hotel operations and property investment in Macao Special Administrative Region of the People’s Republic of China. The ultimate controlling shareholders of Tin Fok are certain of the directors of the Company, Ms. Sio Lai Na and Ms. Sio Lai Nga and their mother. The Group accounts for its interest in Tin Fok using the equity method of accounting based on the unaudited consolidated financial statements (the “**Books**”) of Tin Fok and its subsidiary (together “**Tin Fok Group**”).

The predecessor independent auditor (the “**Predecessor**”) in its report dated 30 October 2023 stated that they were unable to obtain sufficient appropriate audit evidence they considered necessary to assess the amounts of (i) expected credit loss (“**ECL**”) allowance on a loan to and interest receivable (the “**Loan**”) of HK\$689,488,000 from a private company (“**Entity A**”), a related company of the former director of the Company, Mr. Sio Tak Hong (“**Mr. Sio**”) that should be recognised in the Books of Tin Fok Group for the year ended 31 July 2023 and (ii) ECL allowance on amount due from and dividend receivables from Tin Fok (collectively the “**Receivables**”) recognised in the consolidated financial statements of the Group for the year ended 31 July 2023. No ECL allowance on the Loan or the Receivables was made during the year ended 31 July 2023, as the management was of the view the amounts were recoverable. As the Predecessor considered that they were unable to obtain sufficient appropriate audit evidence of the foregoing, the Predecessor was unable to determine whether (i) the consequential share of loss and interest in the associate for and as at the year ended 31 July 2023 and (ii) the Receivables as at 31

July 2023 are free from material misstatements. The Predecessor's opinion on the Group's consolidated financial statements for the year ended 31 July 2023 was qualified accordingly.

As disclosed in Note 4(a) to the consolidated financial statements, on 31 July 2024, certain shareholders of Tin Fok (the "**Indemnifiers**") and Entity A entered into a deed of indemnity (the "**Deed**") in favour of Tin Fok. Pursuant to the Deed, the Indemnifiers jointly agreed to, indemnify Tin Fok against all and any sums owed by Entity A under the Loan.

Accordingly, during the year the management of Tin Fok and the management of the Group had assessed the ECL of the Loan carried in the Books of Tin Fok Group, by taking into consideration of the financial position of Entity A and the fair value of the indemnity granted by the Indemnifiers. Taking into account of the foregoing, the management of the Group is of the view that the credit risk related to the Loan is not significantly increased and the amounts are still recoverable. Therefore, no ECL allowance was recognised in respect of the Loan in the Books of Tin Fok Group for the year ended 31 July 2024.

During the year ended 31 July 2024, the dividend receivables from the associate amounting to HK\$12,621,000 was fully settled by Tin Fok. Also during the year, the management of the Group has assessed the financial position of Tin Fok Group and is of the view that the credit risk of the amount due from the associate of HK\$7,434,000 as at 31 July 2024 is not significantly increased and the amount is still recoverable. Therefore, no ECL was recognised in respect of the Receivables for the year ended 31 July 2024.

Our opinion on the current year's consolidated financial statements of the Group is qualified only to the extent of the possible effects of the foregoing matter on the comparative financial information, the opening balances of interest in an associate and the Receivables as at 1 August 2023 and the consequential effect on the share of profit of the associate and the ECL allowance on the Receivables for the year ended 31 July 2024.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion."

Save as disclosed above, there were no items of any income or expense which are material in respect of the financial results of the Company for each of the aforesaid periods.

2. CONSOLIDATED FINANCIAL INFORMATION OF THE COMPANY

The Company is required to set out or refer to this Composite Document the consolidated statement of profit or loss and other comprehensive income, statement of financial position, consolidated statement of cash flows (if provided) and any other primary statements as shown in (i) the audited financial statements of the Company for the year ended 31 July 2022 (the “**2022 Financial Statements**”); (ii) the audited financial statements of the Company for the year ended 31 July 2023 (the “**2023 Financial Statements**”); (iii) the audited financial statements of the Company for the year ended 31 July 2024 (the “**2024 Financial Statements**”), together with the notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The 2022 Financial Statements are set out from page 40 to page 112 in the annual report of the Company for the year ended 31 July 2022, which was published on 29 November 2022. The annual report of the Company for the year ended 31 July 2022 is posted on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.capitalestate.com.hk/reporte.php>), and is accessible via the following hyperlink: <https://www1.hkexnews.hk/listedco/listconews/sehk/2022/1129/2022112901016.pdf>.

The 2023 Financial Statements are set out from page 57 to page 126 in the annual report of the Company for the year ended 31 July 2023, which was published on 29 November 2023. The annual report of the Company for the year ended 31 July 2023 is posted on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.capitalestate.com.hk/reporte.php>), and is accessible via the following hyperlink: <https://www1.hkexnews.hk/listedco/listconews/sehk/2023/1129/2023112901123.pdf>.

The 2024 Financial Statements are set out from page 1 to page 15 in the annual results announcement of the Company for the year ended 31 July 2024, which was published on 30 October 2024. The annual results announcement of the Company for the year ended 31 July 2024 is posted on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.capitalestate.com.hk/reporte.php>), and is accessible via the following hyperlink: <https://www1.hkexnews.hk/listedco/listconews/sehk/2024/1030/2024103001537.pdf>.

The 2022 Financial Statements, the 2023 Financial Statements and the 2024 Financial Statements (but not any other part of the annual reports of the Company for the year ended 31 July 2022 and 2023 and not any other part of the annual results announcement of the Company for the year ended 31 July 2024, respectively) are incorporated by reference into this Composite Document and form part of this Composite Document.

3. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 August 2024, being the latest practicable date for the purpose of this statement of indebtedness prior to the publication of this Composite Document, the Group had amounts due to related parties of HK\$2,068,000 and the overdraft on brokers' account of approximately HK\$41,312,000 that were secured by marketable securities under margin financing.

Save as disclosed above and apart from intra-group liabilities within the Group and normal trade and other payables in the ordinary course of business, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorised or otherwise created but unissued and indebtedness in the nature of borrowings, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, other recognised lease liabilities or lease commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities at the close of business on 31 August 2024.

The Directors confirmed that the Group do not have any plans for material external debt financing and there have been no material changes in the indebtedness and contingent liabilities of the Group since 31 August 2024 up to and including the Latest Practicable Date.

4. MATERIAL CHANGES

As at the Latest Practicable Date, the Directors confirm that there had been no material change in the financial or trading position or outlook of the Company since 31 July 2024, being the date to which the latest published audited consolidated results of the Group were made up, up to and including the Latest Practicable Date.

5. PROPERTY INTEREST AND ADJUSTED NET ASSET VALUE

By taking into account the effect of fair value gain attributable to owners of the Company arising from the valuation of the property interests of the Group as set out in Appendix III to this Composite Document, set out below is the calculation of the adjusted unaudited consolidated net asset value attributable to owners of the Company:

	<i>HK\$'000</i>
Audited consolidated net asset value attributable to owners of the Company as at 31 July 2024	823,048
Adjustment:	
– Fair value gain attributable owners of the Company arising from the valuation of the property interests of the Group as at 31 August 2024 based on the property valuation report set out in Appendix III to this Composite Document (<i>Note 1</i>)	127,834
Adjusted unaudited consolidated net asset value attributable to owners of the Company	950,881
Adjusted unaudited consolidated net asset value attributable to owners of the Company per Share	HK\$4.893

Notes:

- (1) The fair value gain attributable to owners of the Company represents the increase in the market value of the property interests of the Group as at 31 August 2024 as compared to their corresponding net book value as at 31 July 2024.
- (2) The adjusted unaudited consolidated net asset value attributable to owners of the Company per Share is arrived at on the basis of 194,337,559 Shares in issue.
- (3) Figures in the above table are subject to rounding adjustments. Accordingly, figures shown may not be an arithmetic aggregation of the figures preceding them.

The following is the text of a letter, a summary of valuation and valuation particulars received from Kroll (HK) Limited, an independent valuer, and prepared for the purpose of incorporation in this Composite Document in connection with its valuation of the property interests held by the Group. Terms defined in this report applies to this report only.

6 November 2024

Capital Estate Limited
13th Floor Bonham Majoris
40 Bonham Strand
Sheung Wan
Hong Kong

Our Ref.: E047487T

Dear Sirs,

In accordance with the instruction from Capital Estate Limited (the “**Company**”) or its subsidiaries (collectively hereinafter referred to as the “**Group**”), we are engaged to provide our opinion of the market values of 4 properties located in the People’s Republic of China (the “**PRC**”) (or hereafter referred as the “**Properties**” or the “**property interests**”).

We confirm that we have carried out inspections of the Properties, made relevant enquiries and obtained such further information as we consider necessary for providing the market values of such property interests as of 31 August 2024 (referred to as the “**Valuation Date**”). We considered there are no material difference between the current valuation of the properties and the market values of the Properties as of Valuation Date.

This letter which forms part of our valuation report explains the basis and methodologies of valuation, and clarifies our assumptions made, title investigation of property interests and the limiting conditions.

BASIS OF VALUATION

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

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

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

PROPERTIES APPRAISED

The Properties comprise 4 properties located in the PRC. The salient details of the Properties are tabulated below:

No.	Property Address	Permitted Uses	Year Built	Gross Floor Area (“GFA”) (sq.m.)
Group I – Properties held for owner-occupation:				
1	Hotel Fortuna Foshan located at No. B82 Lecong Avenue East, Lecong Residential Committee, Lecong Town, Shunde District, Foshan City, Guangdong Province, the PRC	Hotel	2005	46,732.94
2	Staircase area on Level 1 and entire Level 2 to Level 4 located at No. B89 Zhenhua Road, East District, Lecong Residential Committee, Lecong Town, Shunde District, Foshan City, Guangdong Province, the PRC	Residential	2000	2,512.80
Group II – Properties held for sale:				
3	Unit 3401 and Unit 3402 in Fortuna Wanli Mansion Block 1, located at No. A173, Zhen’an Road, Xingle Residential Committee, Lecong Town, Shunde District, Foshan City, Guangdong Province, the PRC	Residential	2016	1,242.58
4	149 carparks in Fortuna Wanli Mansion, located at No. A173, Zhen’an Road, Xingle Residential Committee, Lecong Town, Shunde District, Foshan City, Guangdong Province, the PRC	Carparks	2016	5,772.06

Remarks:

- a. All floor area(s) of Group I properties are extracted from the relevant title documents provided, while floor area(s) of Group II properties are provided by the Group.
- b. The GFA of each unit of Property 3 should be 621.29 sq.m.

VALUATION METHODOLOGY

In the course of our valuations, the property interests are mainly valued by the direct comparison method where comparison based on prices realized on actual sales or market price information of comparable properties is made. Comparable properties of similar size, character and location are analyzed and carefully weighed against all the respective advantages and disadvantages of the property interests in order to arrive at a fair comparison.

In addition to analyzing recent sales of comparable property, we have adopted the asking price of comparables under Market Approach when there are few or insufficient transaction records available in the market. According to section 30.3 under “Market Approach Methods – Comparable Transactions Method” of International Valuation Standard, this practice is acceptable and appropriate.

TITLE INVESTIGATION

We have been provided with copies of documents in relation to the title or leases of the property interests situated in the PRC. However, we have not scrutinized the original documents to verify ownership or to verify any amendments, which may not appear on the copies handed to us. We have relied to a considerable extent on the information provided by the Group.

We have relied to a considerable extent on the information provided by the Group and the PRC legal opinion provided by the PRC legal adviser, Hills & Co. on the PRC Law regarding the Properties located in the PRC.

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

ASSUMPTIONS

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

No allowance has been in our valuations for any charges, mortgages or amounts owing on the Properties valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, all the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their value(s).

Further, it is assumed that the utilization of the land and improvements is within the boundaries of the property interests described and that no encroachment or trespass exists unless noted in the valuation particulars.

LIMITING CONDITIONS

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

Having examined all relevant documentation, we have had no reason to doubt the truth and accuracy of the information provided to us. We have assumed that no material factors have been omitted from the information to reach an informed view and have no reason to suspect that any material information has been withheld.

We have not carried out detailed site measurements to verify the land area or building area in respect of the Properties but have assumed that the areas provided to us are correct. All dimensions and areas are approximations only.

As confirmed by the Group, as at the Valuation Date, the Group has no intention to sell the subject properties and therefore there is no likelihood of any tax liability crystallizing.

Potential Tax Liabilities

As advised by the Group, the potential tax liabilities which would arise on the direct disposal of the properties held by the Group at the amounts valued by us mainly comprise the following:

- Enterprise income tax at 25% on gain
- Land appreciation tax at progressive rates from 30% to 60% on the appreciation in property value
- Stamp duty at 0.05% on the transaction amount
- Value added tax (“VAT”) at 5%/10% on the transaction amount
- Other surcharge at approximately 12% of value-added tax

Our Mr. Jason Wang has carried out inspections of the Property Nos. 1-4 on 16 September 2024. He has visited and inspected the Properties to identify the existence of the Properties, to record the existing external condition(s) and, where possible, the internal condition(s) of the Properties and took photographs for record.

No structural survey has been made and we are therefore unable to report as to whether the Properties are or are not free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

No site investigations have been carried out to determine the suitability of the ground conditions or the services for the sites of the properties.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed unless otherwise stated, defined, and considered in the report. It is also assumed that all required licenses, consents, or other legislative, or administrative authority from any local, provincial, or national government or private entity or organization either have been or can be obtained or renewed for any use which the report covers.

REMARKS

In valuing the property interests, we have complied with all the requirements contained in Paragraph 34(2) and (3) of Schedule 3 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32), Chapter 5 and Practice Note 12 to the Listing Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards (2020 Edition) published by the Hong Kong Institute of Surveyors and Rule 11 of the Code on Takeovers and Mergers. We confirm that we are an independent qualified valuer, as referred to in Rule 11 of the Code on Takeovers and Mergers published by the Securities and Futures Commission.

We hereby certify that we have neither present nor prospective interest in the Properties or the value reported. This valuation report is issued subject to our Assumptions and Limiting Conditions.

Unless otherwise stated, all monetary amounts stated in this report are in Hong Kong Dollars. The currencies we adopted as of the Valuation Date are approximately HKD 1 = RMB 0.91222.

The summary of values and valuation particulars and limiting conditions are enclosed herewith.

Yours faithfully,
For and on behalf of
Kroll (HK) Limited

Elaine H.L. Ng
MRICS, MHKIS, RPS (GP), MCIREA
Director

Notes: Ms. Elaine H. L. Ng, who is a Registered Professional Surveyor (General Practice), a member of Hong Kong Institute of Surveyors and a member of Royal Institute of Chartered Surveyors, has over 16 years' post qualification experience in valuation of properties in Hong Kong, the People's Republic of China and Asia.

Mr. Jason Wang, who has three years of real estate valuation and related experience in Hong Kong, the People's Republic of China and Asia.

SUMMARY OF VALUES

Group I – Properties Held For Owner-Occupation

No.	Property	Market Value in existing state as of 31 August 2024 (HKD)	Interest attributable to the Group	Market Value in existing state attributable to the Group as of 31 August 2024 (HKD)
1.	Hotel Fortuna Foshan located at No. B82 Lecong Avenue East, Lecong Residential Committee, Lecong Town, Shunde District, Foshan City, Guangdong Province, the PRC 中國廣東省佛山市順德區樂從鎮樂從居委會樂從大道東B82之財神酒店	392,800,000	75%	294,600,000
2.	Staircase area on Level 1 and entire Level 2 to Level 4 located at No. B89 Zhenhua Road, East District, Lecong Residential Committee, Lecong Town, Shunde District, Foshan City, Guangdong Province, the PRC 中國廣東省佛山市順德區樂從鎮樂從居委會東區振華路B89號首層梯間和二、三、四層	18,300,000	75%	13,725,000
	Sub-total:	411,100,000		308,325,000

Group II – Properties Held For Sale

No.	Property	Market Value in existing state as of 31 August 2024 (HKD)	Interest attributable to the Group	Market Value in existing state attributable to the Group as of 31 August 2024 (HKD)
3.	Unit 3401 and Unit 3402 in Fortuna Wanli Mansion Block 1, located at No. A173, Zhen'an Road, Xingle Residential Committee, Lecong Town, Shunde District, Foshan City, Guangdong Province, the PRC 中國廣東省佛山市順德區樂從鎮興樂社區居民委員會鎮安路A173號財神萬利公館第一座3401及3402室	20,800,000	75%	15,600,000
4.	149 carparks in Fortuna Wanli Mansion, located at No. A173, Zhen'an Road, Xingle Residential Committee, Lecong Town, Shunde District, Foshan City, Guangdong Province, the PRC 中國廣東省佛山市順德區樂從鎮興樂社區居民委員會鎮安路A173號財神萬利公館之149個車位	26,200,000	75%	19,650,000
	Sub-total:	47,000,000		35,250,000
	Grand-total:	458,100,000		343,575,000

VALUATION PARTICULARS

Group I – Properties Held For Owner-Occupation

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 August 2024 (HKD)
1.	Hotel Fortuna Foshan located at No. B82 Lecong Avenue East, Lecong Residential Committee, Lecong Town, Shunde District, Foshan City, Guangdong Province, the PRC 中國廣東省佛山市順德區樂從鎮樂從居委會樂從大道東B82之財神酒店	<p>The property comprises an 18-storey (including basement level) hotel building and a 5-storey (including basement level) composite building erected on a parcel of land with a site area of approximately 25,966.55 sq.m. The hotel and the composite building were completed in about 2005 and 2011 respectively. The Property does not include the newly completed residential development within the same site area.</p> <p>The hotel accommodates 406 guest rooms from Level 5 to Level 17 while Level 1 to Level 4 mainly accommodates food and beverages, lounge, restaurants, multifunction rooms and the basement accommodates back-of-house area. The composite building accommodates sauna, fitness centre and a night club.</p> <p>As per information provided, the total gross floor area of the hotel and the composite building including basement level is approximately 46,732.94 sq.m.</p> <p>The land use rights of the property have been granted for a term expiring on July 24, 2042 for hotel, catering, retail business, wholesale market/commercial, finance and information uses.</p>	<p>The hotel was in operation as at the valuation date. Portions of the hotel were under renovation, it is expected to be completed in June 2025.</p>	<p>392,800,000 (75% interest attributable to the Group: HKD294,600,000)</p>

Notes:

- Pursuant to the Realty Title Certificate, Yue (2022) Foshun Bu Dong Chan Quan Di No. 0167501 (粵(2022)佛順不動產權第0167501號) issued by People's Government of Foshan City on September 7, 2022, the land use rights and building ownership rights of the property with a site area of 25,966.55 sq.m. and a total gross floor area of approximately 46,732.94 sq.m. are held by Foshan Fortuna Hotel Company Limited (佛山市財神酒店有限公司) ("Foshan Fortuna Hotel"), which is an indirectly 75%-owned subsidiary of the Company, for a term expiring on July 24, 2042 for hotel, catering, retail business, wholesale market/commercial, finance and information uses.

2. Pursuant to the Lease Agreement (租賃合同), entered into between Foshan Fortuna Hotel (“Lessor”) and Foshan Shun Tak District Tianhe Entertainment Company Limited (佛山市順德區天河歌舞娛樂有限公司)(“Lessee”) dated September 12, 2023, portions of Levels 1 to 3 of the composite building with a total floor area of 4,036 sq. m. were leased from the Lessor to the Lessee for entertainment purposes, it includes sauna with floor area of 800 sq.m. and an office of entertainment department in basement with floor area of 486 sq.m. for a term of 8 years from September 11, 2023 to September 10, 2031 at a monthly rent of RMB135,000 comprising rental of property and equipment but exclusive of water fare, electricity and air conditioning expenses. The rent-free period is between September 11, 2023 and December 10, 2023, while the monthly rent will increase annually at 4%.
3. Pursuant to the Lease Agreement and its Supplementary Agreement (租賃合同及補充協議), entered into between Foshan Fortuna Hotel (“Lessor”) and Foshan Xintongle Restaurant Co., Ltd. (佛山市新同樂酒家有限公司)(“Lessee”) dated October 20, 2023, portions of the hotel building with a total floor area of 5,982 sq.m. were leased from the Lessor to the Lessee for restaurant use, it includes basement floor area of 290 sq.m. for kitchen and staff canteen, 982 sq.m., on Level 1 for restaurant and kitchen, 3,367 sq.m. on Level 2 and 1,289 sq.m. on Level 3 (exclusive of hotel breakfast zone and KTV rooms) for a term of 12 years from October 20, 2023 to October 31, 2035 at a monthly rent of RMB 65,208 inclusive of a machinery rental of RMB11,856/month exclusive of management fee of RMB47,424/month (¥8/sq.m./month) and exclusive of water fare, electricity, air-conditioning and gas expenses. The Lessor has agreed to refer all catering needs arising from its services to the Lessee during the agreed lease term, while the Lessee has agreed to pay the Lessor a rate of 3.5% of monthly business amount with its turnover income exceeding RMB 3.6 million.
4. Pursuant to the Lease Agreement (租賃合同), entered into between Foshan Fortuna Hotel (“Lessor”) and 鄧偉傑 (“Lessee”) dated October 27, 2023, 5 mahjong rooms on Level 5 of the hotel building with a total floor area of 300 sq.m. were leased from the Lessor to the Lessee for a term of 3 years from November 1, 2023 to October 31, 2026 at a monthly rent of RMB12,000 inclusive of management of about RMB5,000/month exclusive of water fare, electricity and equipment expenses. The monthly rent will increase 5% annually. The Lessor will provide the Lessee’s guests with 8 hours of free parking in the outdoor parking space aboveground. Overtime parking will be charged at a standard rate of RMB 5/hour. There is no free parking service will be provided for underground parking spaces, and the basement parking service will be charged at a standard rate of RMB 5/hour.
5. Pursuant to the Lease Agreement (租賃合同), entered into between Foshan Fortuna Hotel (“Lessor”) and Foshan Xintongle Restaurant Co., Ltd. (佛山市新同樂酒家有限公司)(“Lessee”) dated October 20, 2023, a changing room of basement of the property with a floor area of 100 sq.m. and level 2 of the Staircase area of the Property 2 with a total floor area of 770 sq.m. were leased from the Lessor to the Lessee for a term of 12 years from October 20, 2023 to October 31, 2035 at a monthly rent of RMB20,000 inclusive property management fee of RMB8,000/month, exclusive of water fare, electricity and air-conditioning expenses. The monthly rent will increase at 10% every three-year.
6. As advised, portions of the hotel were under renovation, it is expected to be completed in June 2025. The total expected renovation cost was approximately RMB5,908,079, while the cost incurred as at the valuation date was approximately RMB1,295,706. The outstanding cost as at the valuation date was approximately RMB4,612,373. We have taken into account of the cost incurred in the course of our valuation.
7. The Property is located at the southeast side of Lecong Avenue in Lecong Town, which is a downtown area with various residential and commercial developments in Shunde District, where various residential developments and commercial buildings can be found. It is also located nearby the Lecong Cultural Park, a famous Lecong Furniture Market, 325 national highway and Foshan 1st Ring. Lecong Town is situated in the hinterland of the Pearl River Delta, on the northwest side of Shunde District and the southern side of the central urban area of Foshan City.

8. Foshan Fortuna Hotel is an indirectly 75%-owned subsidiary of the Company.
9. The PRC legal opinion issued by Hills & Co. states, *inter alia*, that:
- Foshan Fortuna Hotel possesses the proper title of the property with all premium and costs fully settled and is entitled to use, transfer, lease and mortgage the property or dispose of the property by other lawful means in accordance with the laws of the PRC during the term of the land use rights.
 - The buildings or structures of the property are in compliance with local planning and building regulations and have been approved by the relevant authorities with all related cost or fee fully settled.
 - The property is not subject to any encumbrances, mortgages, litigations or disputes.
 - The legal adviser has not seen the lease registration and filing certificates for the aforesaid leases as captioned in Note 2 to Note 5 above. However, according to Article 706 of the Civil Code of the People's Republic of China, "the parties have not completed the registration and filing procedures for the lease contract in accordance with laws and administrative regulations will not affect the validity of the contract". The legal adviser believes that the non-register of these leases will not affect the validity and enforceability of the leases. However, in any case, the legal adviser recommends that the lease registration procedures should be completed in accordance with relevant regulations.
10. Our valuation has been made on the following basis and analysis:

Market Value – Hotel:

In the valuation of the property in its existing state, market approach was adopted. The subject property is a local 4- to 5-star hotel. The following hotel comparables were selected as they have characteristics comparable to the subject property, such as location, size and permitted use. The price range of these comparables is approximately from RMB 500,000 to RMB2,869,000 per room. The salient details of these comparables are tabulated below:

Property	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Hotel Name	Nanfang Hotel	Aloft Guangzhou Tianhe	Funyard Hotel Foshan	Guangzhou Langham Place
Hotel Address	15 Wufeng 4th Road, Chancheng District, Foshan City	365 Tianhe North Road, Tianhe District, Guangzhou City	Building 10, Shanhaihui Garden, No. 2, Liguang Road, Lishui Town, Nanhai District, Foshan City	No. 638, Xingang East Road, Haizhu District, Guangzhou City
Province	Guangdong	Guangdong	Guangdong	Guangdong
Number of rooms:	50	496	183	488
Year Opening	2013	2016	2019	2013
Hotel Stars	3-star	5-star	5-star	5-star
Date of Sale	Jul-21	Jun-21	Sep-23	Jun-24
Consideration (RMB):	25,015,000	955,000,000	300,000,000	1,400,000,000
Price per room (RMB):	500,300	1,925,403	1,639,344	2,868,852
Total Adjustment	-0.7%	-52.5%	-39.8%	-70.1%
Adjusted Price/Room:	¥496,891/room	¥913,690/room	¥986,418/room	¥858,045/room
Weighting	10%	30%	30%	30%
Adopted room rate, Say	¥880,000/room			

The price adopted by us is consistent with the sales prices of relevant comparables after due adjustments. Due adjustments to the unit rates of those sales prices have been made to reflect the difference in, location, management & facilities, age & quality, size, etc.

For comparable 1, downward adjustments have been made on older transaction date, shorter building age, and larger room size, while upward adjustments have been made on its poor accessibility and poor hotel grade.

For comparable 2, downward adjustments have been made on older transaction date, shorter building age, better accessibility, better hotel grade and its larger room size.

For comparable 3, downward adjustments have been made on older transaction date, shorter building age, better accessibility, better hotel grade and its larger room size.

For comparable 4, downward adjustments have been made on older transaction date, shorter building age, better accessibility, better hotel grade and its larger room size.

The weighting for comparable 1 is only 10% as we considered this comparable's scale is far below the others comparables as well as the subject property.

In the course of our valuation, we have adopted an average price of RMB 880,000 per room, the market value of the Property is RMB 357,000,000.

Adding with the renovation cost incurred of RMB1,295,706 as of the Valuation Date, the total value of the property should be RMB358,300,000 (or about HKD392,800,000).

VALUATION PARTICULARS

Group I – Properties Held For Owner-Occupation

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at August 31, 2024 (HKD)
2.	Staircase area on Level 1 and entire Level 2 to Level 4 located at No. B89 Zhenhua Road, East District, Lecong Residential Committee, Lecong Town, Shunde District, Foshan City, Guangdong Province, the PRC	<p>The property comprises staircase area on Level 1 and entire of Level 2 to Level 4 of a 4-storey composite building completed in about 2000s.</p> <p>The total gross floor area of the property is approximately 2,512.80 sq.m. as per the relevant Realty Title Certificate.</p> <p>The land use rights of the property have been granted for a term expiring on July 7, 2069 for residential and commercial uses.</p>	As advised by the Group, the property was occupied for staff dormitory as at the Valuation Date.	18,300,000 (75% interest attributable to the Group: HKD13,725,000)
	中國廣東省佛山市 順德區樂從鎮樂從 居委會東區振華路 B89號首層梯間和 二、三、四層			

Notes:

1. Pursuant to the Realty Title Certificate, Yue Fang Di Zheng Zi Di No. C4967582 (粵房地證字第C4967582號) issued by the People's Government of Foshan City (佛山市人民政府) on January 19, 2007, the building ownership rights of the property with a gross floor area of 2,512.8 sq.m. are held by Foshan Fortuna Hotel for a term expiring on July 7, 2069 for residential and commercial uses.
2. Pursuant to the Lease Agreement (租賃合同), entered into between Foshan Fortuna Hotel ("Lessor") and Foshan Xintongle Restaurant Co., Ltd. (佛山市新同樂酒家有限公司)("Lessee") dated October 20, 2023, level 2 of the Staircase area with a total floor area of 770 sq.m. and portions of basement level 1 of the Property 1 ("Hotel Fortuna Foshan") with a floor area of 100 sq.m. were leased from the Lessor to the Lessee for a term of 12 years from October 20, 2023 to October 31, 2035 at a monthly rent of RMB20,000 inclusive property management fee of RMB8,000/month. The monthly rent will increase at 10% every three-year.
3. Advised by the Group, the renovation works of the property have been completed as of the valuation date, the total renovation cost of these works was approximately RMB382,148, the majority cost has been settled. The renovation cost has been considered in the course of our valuation.
4. The Property is located on the eastern side of Zhenhua Road and northern side of Zhenhua 1st Street in Lecong Town of Shunde District, where various residential developments and commercial buildings can be found nearby. It is also located nearby the Lecong Cultural Park, a famous Lecong Furniture Market, 325 national highway and Foshan 1st Ring. Lecong Town is situated in the hinterland of the Pearl River Delta, on the northwest side of Shunde District and the southern side of the central urban area of Foshan City.
5. Foshan Fortuna Hotel is an indirectly 75%-owned subsidiary of the Company.
6. The PRC legal opinion issued by Hills & Co. states, *inter alias*, that:
 - a) Foshan Fortuna Hotel possesses the proper title of the property with all premium and costs fully settled and is entitled to use, transfer, lease and mortgage the property or dispose of the property by other lawful means in accordance with the laws of the PRC during the term of the land use rights.
 - b) The buildings or structures of the property are in compliance with local planning and building regulations and have been approved by the relevant authorities with all related cost or fee fully settled.
 - c) The property is not subject to any encumbrances, mortgages, litigations or disputes.

7. Our valuation has been made on the following basis and analysis:

Market Value – Residential:

In the valuation of the property in its existing state, market approach was adopted. The following residential comparables were selected as they have characteristics comparable to the subject property, such as location, size and permitted use. The price range of these comparables is from RMB 7,320 to RMB 10,345 per square metre (on gross floor area basis). The salient details of these comparables are tabulated below:

Property	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Floor Level	Middle	Middle	High	High
Property Address	No. B139, Dehua Road, Lecong, Shunde, Foshan	No. A112, Guihua Road, Shunde District, Foshan	No. B52, Sanle West Road, Shunde District, Foshan	No. A112, Guihua Road, Shunde District, Foshan
Usage	Residential	Residential	Residential	Residential
Year Built	2005	2005	1998	2005
GFA (sq.m.)	84.00	127.60	99.72	135.20
Date of Sale	11-Apr-2024	30-Apr-2024	30-Apr-2024	30-Apr-2024
Transaction Status	Asking	Asking	Asking	Asking
Unit Rate (RMB/sq.m)	9,286	10,345	7,320	9,985

The unit rate adopted by us is consistent with the sales prices of relevant comparables after due adjustments. Due adjustments to the unit rates of those sales prices have been made to reflect the difference in transaction status, location, age, type, size and uses. In the course of our valuation, we have adopted an average unit rate of RMB 6,640 per square metre, the market value of the Property is RMB 16,700,000 (or about HKD18,300,000).

VALUATION PARTICULARS

Group II – Properties Held For Sale

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at August 31, 2024 (HKD)
3.	Unit 3401 and Unit 3402 in Fortuna Wanli Mansion Block 1, located at No. A173, Zhen'an Road, Xingle Residential Committee, Lecong Town, Shunde District, Foshan City, Guangdong Province, the PRC	<p>The Property comprises two unsold residential units in a residential building, known as "Fortuna Wanli Mansion". It was built in 2016.</p> <p>As advised by the Group, the Property has a gross floor area of approximately 621.29 square metres for each unit.</p> <p>The land use rights of the property have been granted for a term of 70 years expiring on 24 July 2072 for residential purposes.</p>	As advised by the Group, the Property was vacant as of the valuation date.	20,800,000 (75% interest attributable to the Group: HKD15,600,000)
	中國廣東省佛山市順德區樂從鎮興樂社區居民委員會鎮安路A173號財神萬利公館第一座3401及3402室			

Notes:

- Pursuant to the Realty Title Certificate (房地產權證), Yue Fang Di Quan Zheng Fo Zi Di No. 0312043402 (粵房地權證佛字第0312043402號) issued by People's Government of Shunde District, Foshan City (佛山市順德區人民政府) on June 19, 2012, the land use rights and building ownership rights of the property with a site area of 25,966.55 sq.m. and a total gross floor area of approximately 46,732.94 sq.m. are held by Foshan Fortuna Hotel for a term expiring on July 24, 2072 for residential use.
- The property is located at southern side of Lecong Road and western side of Zhen An Road, with about 30 minutes' driving distance from Foshan downtown area on its southern side. The immediately neighborhood intermingled with parking lots, department stores, small retails and parks.
- Foshan Fortuna Hotel is an indirectly 75%-owned subsidiary of the Company.

4. The PRC legal opinion issued by Hills & Co. states, *inter alias*, that:
- a) Foshan Fortuna Hotel possesses the proper title of the property with all premium and costs fully settled and is entitled to use, transfer, lease and mortgage the property or dispose of the property by other lawful means in accordance with the laws of the PRC during the term of the land use rights.
 - b) The buildings or structures of the property are in compliance with local planning and building regulations and have been approved by the relevant authorities with all related cost or fee fully settled.
 - c) The property is not subject to any encumbrances, mortgages, litigations or disputes.
5. Our valuation has been made on the following basis and analysis:

Market Value – Residential Unit:

In the valuation of the property in its existing state, market approach was adopted. The following residential comparables were selected as they have characteristics comparable to the subject property, such as location, size and permitted use. The price range of these comparables is from RMB 12,600 to RMB 19,355 per square metre (on gross floor area basis). The salient details of these comparables are tabulated below:

Property	Comparable 1	Comparable 2	Comparable 3
Floor Level	High	High	High
Property Address	No. A173, Zhen'an Road, Xingle Residential Committee, Lecong Town, Shunde District, Foshan City, Guangdong Province, the PRC	No. A173, Zhen'an Road, Xingle Residential Committee, Lecong Town, Shunde District, Foshan City, Guangdong Province, the PRC	No. A173, Zhen'an Road, Xingle Residential Committee, Lecong Town, Shunde District, Foshan City, Guangdong Province, the PRC
Usage	Residential	Residential	Residential
Year Built	2016	2016	2016
GFA (<i>sq.m.</i>)	619.98	340.09	620.36
Date of Sale	31-Aug-2024	11-Sep-2024	18-Jan-2024
Transaction Status	Asking	Asking	Transacted
Unit Rate (<i>RMB/sq.m</i>)	19,355	17,642	12,600

The unit rate adopted by us is consistent with the sales prices of relevant comparables after due adjustments. Due adjustments to the unit rates of those sales prices have been made to reflect the difference in transaction status, location, age, type, size and uses. In the course of our valuation, we have adopted an average unit rate of RMB 15,300 per square metre, the market value for each unit is RMB 9,500,000 and the market value of the Property is RMB 19,000,000 (or about HKD20,800,000).

VALUATION PARTICULARS

Group II – Properties Held For Sale

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at August 31, 2024 (HKD)
4.	149 carpark in Fortuna Wanli Mansion, located at No. A173, Zhen'an Road, Xingle Residential Committee, Lecong Town, Shunde District, Foshan City, Guangdong Province, the PRC 中國廣東省佛山市順德區樂從鎮興樂社區居民委員會鎮安路A173號財神萬利公館之149個車位	The Property comprises 149 unsold car parking spaces in a residential building, known as “Fortuna Wanli Mansion”. It was built in 2016. As advised by the Group, the Property has a total gross floor area of approximately 5,772.06 square metres. The land use rights of the property have been granted for a term of 70 years expiring on 24 July 2072 for residential purposes.	As advised by the Group, the Property was vacant as of the valuation date.	26,200,000 (75% interest attributable to the Group: HKD19,650,000)

Notes:

- Pursuant to the Realty Title Certificate (房地產權證), Yue Fang Di Quan Zheng Fo Zi Di No. 0312043402 (粵房地權證佛字第0312043402號) issued by People's Government of Shunde District, Foshan City (佛山市順德區人民政府) on June 19, 2012, the land use rights and building ownership rights of the property with a site area of 25,966.55 sq.m. and a total gross floor area of approximately 46,732.94 sq.m. are held by Foshan Fortuna Hotel for a term expiring on July 24, 2072 for residential use.
- The property is located at the southern side of Lecong Road and western side of Zhen An Road, with about 30 minutes' driving distance from Foshan downtown area on its southern side. The immediately neighborhood intermingled with parking lots, department stores, small retails and parks.
- Foshan Fortuna Hotel is an indirectly 75%-owned subsidiary of the Company.

4. The PRC legal opinion issued by Hills & Co. states, *inter alia*, that:
- a) Foshan Fortuna Hotel possesses the proper title of the property with all premium and costs fully settled and is entitled to use, transfer, lease and mortgage the property or dispose of the property by other lawful means in accordance with the laws of the PRC during the term of the land use rights.
 - b) The buildings or structures of the property are in compliance with local planning and building regulations and have been approved by the relevant authorities with all related cost or fee fully settled.
 - c) The property is not subject to any encumbrances, mortgages, litigations or disputes.
5. Our valuation has been made on the following basis and analysis:

Market Value – Carparks:

In the valuation of the property in its existing state, market approach was adopted. The following carpark comparables were selected as they have characteristics comparable to the subject property, such as location, size and permitted use. The price range of these comparables is from RMB 140,000 to RMB 198,000 per unit. The salient details of these comparables are tabulated below:

Property	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Property Address	No. B461, Tianhong Road, Dongping New Town, Lecong Town, Shunde District, Foshan City, Guangdong Province, the PRC	Evian Waterfront Phase III, Lecong Town, Shunde District, Foshan City, Guangdong Province, the PRC	Haijunda New Oriental Garden, Ronggui District, Shunde District, Foshan City, Guangdong Province, the PRC	No. A173, Zhen'an Road, Xingle Residential Committee, Lecong Town, Shunde District, Foshan City, Guangdong Province, the PRC
Usage	Carpark	Carpark	Carpark	Carpark
GFA (sq.m.)	30.00 m ²	31.00 m ²	33.50 m ²	36.20 m ²
Date of Sale	05-Sep-2024	20-Aug-2024	25-Aug-2024	21-Jun-2024
Transaction Status	Asking	Asking	Asking	Transacted
Price per unit (RMB)	140,000	160,000	168,000	198,000

The unit rate adopted by us is consistent with the sales prices of relevant comparables after due adjustments. Due adjustments to the unit rates of those sales prices have been made to reflect the difference in transaction status, location, age, type, size and uses. In the course of our valuation, we have adopted an average rate of RMB 160,700 per unit, the market value of the Property is RMB 23,900,000 (or about HKD26,200,000).

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accepts full responsibility for the accuracy of the information in this Composite Document (other than that relating to the Vendors, the Offeror and the parties acting in concert with each of them), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by Mr. Chu in his capacity as a Vendor and the sole director of Supervalue Holdings Limited and Ms. Lina Sio in her capacity as the sole director of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

Mr. Chu accepts full responsibility for the accuracy of the information contained in this Composite Document relating to the Vendors and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Composite Document by him in his capacity as a Vendor and the sole director of Supervalue Holdings Limited have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date, the issued and paid up shares of the Company comprised 194,337,559 Shares.

All of the Shares currently in issue rank *pari passu* in all respects with each other, including, in particular, as to rights in respect of capital, dividends and voting. The issued Shares are listed on the Main Board of the Stock Exchange. No part of the Shares is listed or dealt in, nor is any listing of or permission to deal in the Shares being or proposed to be sought on, any other stock exchange.

No Shares had been issued since 31 July 2024 (being the date on which the latest audited consolidated financial statements of the Company were prepared) and up to and including the Latest Practicable Date.

The Company did not have any outstanding options, derivatives, warrants or relevant securities which were convertible or exchangeable into Shares or right affecting the Shares as at the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS

(a) Interests of the Directors and chief executive in the Shares or securities of the Company

Save as disclosed below, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had any interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including any interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code to be notified to the Company and the Stock Exchange; or (iv) required to be disclosed under the Takeovers Code:

(i) Long positions in the Shares

Name	Capacity	Number of Shares	Shareholding (%) (Note 1)
Ms. Lina Sio	Interests of controlled corporation (Note 2)	97,172,000	50.002
Mr. Chu	Beneficial owner	5,719,305	2.943

Notes:

- The percentage figures are calculated on the basis of 194,337,559 issued Shares, which represent the entire issued share capital of the Company, as at the Latest Practicable Date.
- Ms. Lina Sio wholly and beneficially owns the Offeror and Nichrome Limited. Immediately upon Completion and as at the Latest Practicable Date, Ms. Lina Sio is deemed or taken to be interested in the total of 97,172,000 Shares held by the Offeror and Nichrome Limited by virtue of the SFO.

(b) Interests of the substantial Shareholders in the Shares or other securities of the Company

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO and, so far as was known to the Directors, the persons or entities (other than the Directors, Supervisors and chief executive of the Company) who had an interest or a short position in the Shares or the underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10% or more of the issued voting Shares of the Company, or in any options in respect of such share capital were as follows:

Name	Capacity	Number of Shares	Shareholding (%)
Ms. Lina Sio	Interests of controlled corporation (<i>Note 2</i>)	97,172,000	50.002
Nichrome Limited	Beneficial owner	55,000,000	28.301
The Offeror	Beneficial owner	42,172,000	21.700

Notes:

1. The percentage figures are calculated on the basis of 194,337,559 issued Shares, which represent the entire issued share capital of the Company, as at the Latest Practicable Date.
2. Ms. Lina Sio wholly and beneficially owns the Offeror and Nichrome Limited. Immediately upon Completion and as at the Latest Practicable Date, Ms. Lina Sio is deemed or taken to be interested in the total of 97,172,000 Shares held by the Offeror and Nichrome Limited by virtue of the SFO.

4. DEALING AND INTERESTS IN THE COMPANY'S SECURITIES AND OTHER ARRANGEMENTS

The Directors confirm that, during the Relevant Period and up to (and including) the Latest Practicable Date:

- (i) the Company had not dealt for value and did not hold any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Offeror;
- (ii) save for the Acquisition, none of the Directors had dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Offeror and the Company; and

- (iii) save (a) for the interests in the Company as disclosed in the section headed “3. DISCLOSURE OF INTERESTS” in this Appendix and (b) that the Offeror is wholly-owned by Ms. Lina Sio, none of the Directors had any interests in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Offeror and the Company.

During the Offer Period and up to the Latest Practicable Date:

- (i) none of the subsidiaries of the Company, pension funds of the Company or any adviser to the Company or person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert or who is an associate of the Company by virtue of class (2) of the definition of associate under the Takeovers Code but excluding exempt principal traders and exempt fund managers (as defined under the Takeovers Code) had owned or controlled or dealt for value in any of the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (ii) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of associate; and
- (iii) no relevant securities (as defined in Note 4 to Rule 22 of the Code) of the Company were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company.

As at the Latest Practicable Date:

- (i) save as disclosed under section headed “3. DISCLOSURE OF INTERESTS” in this appendix, no Directors had a beneficial holding in the Shares;
- (ii) no benefit (other than statutory compensation) would be given to any Director as compensation for loss of office or otherwise in connection with the Offer;
- (iii) there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer;
- (iv) save for the Sale and Purchase Agreement, there was no material contract entered into by the Offeror in which any Director had a material personal interest;

- (v) save for the Sale and Purchase Agreement, there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (1) any Shareholder and (2) the Company, its subsidiaries or associated companies;
- (vi) Mr. Chu intends to accept the Offer in respect of the 3,775,305 remaining Shares held by him, representing approximately 1.943% of the Shares as at the Latest Practicable Date, and intends to retain, and not accept the Offer in respect of 1,944,000 remaining Shares held by him, representing approximately 1.000% Shares as at the Latest Practicable Date; and
- (vii) neither the Company nor any of the Directors had borrowed or lent any of the relevant securities (as defined in Note 4 to Rule 22 of the Code) of the Company.

5. SERVICE CONTRACTS OF DIRECTORS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any of its subsidiaries or associated companies in force:

- (a) which (including both continuous and fixed term contracts) had been entered into or amended within 6 months before the commencement of the Offer Period;
- (b) which were continuous contracts with a notice period of 12 months or more; or
- (c) which were fixed term contracts with more than 12 months to run irrespective of the notice period.

6. EXPERTS' QUALIFICATIONS AND CONSENTS

The following are the names and qualifications of the experts who have given its letter/opinion which is contained in this Composite Document:

Name	Qualification
Quam Capital Limited	a corporation licensed by SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Kroll (HK) Limited	an independent property valuer

Each of the Independent Financial Adviser and Kroll has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter, report, recommendation, opinion, and/or references to its name in the form and context in which it appears.

7. MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any subsidiary in the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against either the Company or any other company in the Group.

8. MATERIAL CONTRACTS

No contracts which are or may be material (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by any member of the Group) have been entered into by the members of the Group after the date two (2) years before the commencement of the Offer Period and up to and including the Latest Practicable Date.

9. MISCELLANEOUS

- (a) The principal place of business and the registered office of the Company is at 13th Floor, Bonham Majoris, 40 Bonham Strand, Sheung Wan, Hong Kong.
- (b) The company secretary of the Company is Mr. Cham Wing Yeung, Andrew.
- (c) The address of the Registrar is Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) The registered office of the Independent Financial Adviser is at 5/F, Wing On Centre, 111 Connaught Road Central, Hong Kong.
- (e) The English texts of this Composite Document and the Form of Acceptance shall prevail over the Chinese translations in the case of inconsistency.

10. DOCUMENTS ON DISPLAY

A copy of the following documents will be available for inspection (i) on the website of the SFC (<https://www.sfc.hk>); and (ii) on the website of the Company (<http://www.capitalestate.com.hk>) during the period from the date of this Composite Document up to and including the Closing Date:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the three years ended 31 July 2021, 31 July 2022 and 31 July 2023 the annual results announcement of the Company for the year ended 31 July 2024;
- (c) the letter from Somerley as set out on pages 6 to 14 of this Composite Document;

- (d) the letter from the Board, the text of which is set out on pages 15 to 21 of this Composite Document;
- (e) the letter from the Independent Board Committee, the text of which is set out on pages 22 to 23 of this Composite Document;
- (f) the letter from the Independent Financial Adviser, the text of which is set out on pages 24 to 46 of this Composite Document;
- (g) the Property Valuation Report of the Group prepared by Kroll, a summary of which is set out in Appendix III to this Composite Document;
- (h) the written consents referred to in the paragraph headed “Experts’ Qualifications And Consents” in this appendix; and
- (i) this Composite Document and the accompanying Form of Acceptance.

1. RESPONSIBILITY STATEMENT

The sole director and sole shareholder of the Offeror, being Ms. Lina Sio, accepts full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Vendors, the Directors and the Group), confirms, having made all reasonable enquiries, that to the best of her knowledge, opinions expressed in this Composite Document (other than those expressed by Mr. Chu in his capacity as a Vendor and the sole director of Supervalve and the Directors in their capacity as such) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. MARKET PRICES

The table below shows the closing price of the Shares quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date.

Date	Closing price per Share (HK\$)
28 March 2024	0.129
30 April 2024	0.198
31 May 2024	0.360
28 June 2024	0.380
31 July 2024	0.310
26 August 2024 (<i>being the Last Trading Day</i>)	0.270
31 August 2024	0.270
30 September 2024	0.405
31 October 2024	0.395
1 November 2024 (<i>being the Latest Practicable Date</i>)	0.400

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.405 per Share on 30 September 2024 and 2 October 2024 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.120 per Share on 19 March 2024 and 20 March 2024, respectively.

3. DISCLOSURE OF INTERESTS OF THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT

As at the Latest Practicable Date, the details of interests in the Shares or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company owned or controlled by the Offeror and parties acting in concert with it were as follows:

Name	Number of Shares	Approximate percentage of the total issued Shares <i>(Note 1)</i>
The Offeror <i>(Note 2)</i>	42,172,000	21.700
Nichrome Limited <i>(Note 2)</i>	55,000,000	28.301

Notes:

1. The percentage figures are calculated on the basis of 194,337,559 issued Shares, which represent the entire issued share capital of the Company, as at the Latest Practicable Date.
2. Each of the Offeror and Nichrome Limited is wholly and beneficially owned by Ms. Lina Sio, being an executive director of the Company and the chairlady of the Board. As at the Latest Practicable Date, Ms. Lina Sio was deemed or taken to be interested in the total of 97,172,000 Shares held by the Offeror and Nichrome Limited by virtue of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Offeror or parties acting in concert with it owned, controlled or was interested in any Shares or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

4. ADDITIONAL DISCLOSURE OF DEALINGS AND INTERESTS IN THE COMPANY'S SECURITIES AND OTHER ARRANGEMENTS

As at the Latest Practicable Date:

- (a) save for the Acquisition, neither the Offeror nor any person acting in concert with it had dealt for value any Shares, warrants, options, derivatives or other securities convertible into Shares during the Relevant Period;

- (b) save as disclosed in the section headed “3. Disclosure of interests of the Offeror and parties acting in concert with it” in this appendix, neither the Offeror nor any person acting in concert with it owned or had control or direction over any voting rights or rights over the Shares or any convertible securities, warrants, options or derivatives of the Company;
- (c) no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code had been entered into between the Offeror, or any person acting in concert with it, and any other person;
- (d) neither the Offeror nor any person acting in concert with it had received any irrevocable commitment to accept or reject the Offer;
- (e) there was no agreement, arrangement or understanding that any securities of the Company acquired in pursuance of the Offer would be transferred, charged or pledged to any other persons;
- (f) since the Offer is unconditional in all respects, there was no agreement or arrangement to which the Offeror or any person acting in concert with it, was a party which related to circumstances in which the Offeror may or may not invoke or seek to invoke a pre-condition or a condition to the Offer;
- (g) neither the Offeror nor any person acting in concert with it had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (h) there was no outstanding derivative in respect of the securities in the Company entered into by the Offeror or any person acting in concert with it;
- (i) save for the aggregate consideration of HK\$16,868,800.000 paid to the Vendors pursuant to the Sale and Purchase Agreement, there was no other consideration, compensation or benefits in whatever form paid or to be paid by the Offeror or any parties acting in concert with it to the Vendors or any parties acting in concert with any of them in connection with the Acquisition;
- (j) there was no agreement, arrangement or understanding (including any compensation arrangement) existing between any of the Offeror or parties acting in concert with it and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Offer;
- (k) save for the Sale and Purchase Agreement, there was no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror or any parties acting in concert with it on the one hand, and the Vendors and any parties acting in concert with any of them on the other hand;

- (l) save for the Sale and Purchase Agreement, there was no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror or any parties acting in concert with it on one hand, and any Shareholder on the other hand; and
- (m) no arrangement was in place for any benefit (other than statutory compensation) to be given to any Director as compensation for loss of office or otherwise in connection with the Offer.

5. EXPERT'S QUALIFICATION AND CONSENT

The following are the name and qualifications of the expert whose letter or opinion is contained in this Composite Document:

Name	Qualifications
Somerley Capital Limited	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Offeror in respect of the Offer

Somerley has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter or opinion and/or references to its name, in the form and context in which they respectively appear.

6. GENERAL

As at the Latest Practicable Date:

- (a) the registered office of the Offeror was situated at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands;
- (b) the correspondence address of the Offeror and Ms. Lina Sio, the sole director and sole shareholder of the Offeror, was 12th Floor, Bonham Majoris, 40 Bonham Strand, Sheung Wan, Hong Kong;
- (c) the registered office of Supervalue was situated at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands and the correspondence address of Supervalue and Mr. Chu, being one of the Vendors and the sole director and sole shareholder of Supervalue, was 13th Floor, Bonham Majoris, 40 Bonham Strand, Sheung Wan, Hong Kong;
- (d) the Offeror is a company incorporated in the British Virgin Islands with limited liability on 26 February 2024, and Ms. Lina Sio was the sole director and sole shareholder of the Offeror;
- (e) the registered office of Somerley was situated at 20th Floor, China Building, 29 Queen's Road Central, Hong Kong; and
- (f) the English text of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese text for the purpose of interpretation in case of any inconsistency.

7. DOCUMENTS ON DISPLAY

Copies of the following documents are published on (i) the website of the Company (<http://www.capitalestate.com.hk>) and (ii) the website of the SFC (<http://www.sfc.hk>) from the date of this Composite Document up to and including the Closing Date:

- (a) the Sale and Purchase Agreement;
- (b) the memorandum and articles of association of the Offeror;
- (c) the letter from Somerley, the text of which is set out in this Composite Document; and
- (d) the written consent of Somerley referred to in the section headed "5. Expert's Qualification and Consent" in this appendix.