



SOMERLEY CAPITAL LIMITED

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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.



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.



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.



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.



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.



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.



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.



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.



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