



*Executive Directors:*

Ms. Sio Lai Na  
Mr. Chu Nin Yiu, Stephen (*Chief Executive Officer*)

*Non-Executive Director:*

Ms. Sio Lai Nga

*Independent Non-Executive Directors:*

Mr. Hung Ka Hai, Clement  
Mr. Yeung Chi Wai  
Mr. Wong Kwong Fat  
Mr. Chan Shu Yan, Stephen

*Registered Office:*

13th Floor, Bonham Majoris  
40 Bonham Strand  
Sheung Wan  
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**

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.

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.

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.

### **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.

## 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)
<b>The Offeror and parties acting in concert with it</b>				
– The Offeror (Note 2)	–	–	42,172,000	21.700
– Nichrome Limited (Note 2)	<u>55,000,000</u>	<u>28.301</u>	<u>55,000,000</u>	<u>28.301</u>
<b>Sub-total</b>	<b>55,000,000</b>	<b>28.301</b>	<b>97,172,000</b>	<b>50.002</b>
<b>Vendors</b>				
– Supervalve (Note 3)	31,650,555	16.286	–	–
– Mr. Chu (Note 3)	<u>16,240,750</u>	<u>8.357</u>	<u>5,719,305</u>	<u>2.943</u>
<b>Sub-total</b>	<b>47,891,305</b>	<b>24.643</b>	<b>5,719,305</b>	<b>2.943</b>
Public Shareholders	91,446,254	47.055	91,446,254	47.055
<b>Independent Shareholders</b>	<u>139,337,559</u>	<u>71.699</u>	<u>97,165,559</u>	<u>49.998</u>
<b>Total</b>	<b><u>194,337,559</u></b>	<b><u>100.000</u></b>	<b><u>194,337,559</u></b>	<b><u>100.000</u></b>

### 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.
- Supervalve 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 Supervalve by virtue of the SFO. Save that Ms. Lina Sio and Mr. Chu are both directors of the Company, each of Supervalve 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.

## **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.

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.

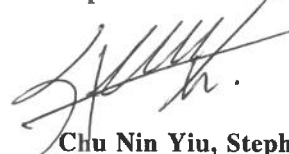
The Independent Shareholders are urged to read these letters carefully before taking any action in respect of the Offer.

#### **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*