

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CAPITAL ESTATE LIMITED

冠中地產有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 193)

**PROPOSED CAPITAL REORGANISATION
AND
PROPOSED RIGHTS ISSUE ON THE BASIS OF
FOUR RIGHTS SHARES FOR EVERY CONSOLIDATED SHARE HELD
RESUMPTION OF TRADING**

Joint Financial Advisers

ALTUS CAPITAL LIMITED



**結好融資有限公司
GET NICE CAPITAL LIMITED**

Underwriter of the Rights Issue



**結好投資有限公司
GET NICE INVESTMENT LIMITED**

PROPOSED CAPITAL REORGANISATION

The Company proposes to put forward for approval by the Shareholders the Share Consolidation pursuant to which every 100 issued and unissued Shares will be consolidated into one Consolidated Share. As at the date of this announcement, the authorised share capital of the Company is HK\$122,500,000 comprising 12,250,000,000 Shares of HK\$0.01 each, of which approximately HK\$52,543,986 comprising 5,254,398,668 Shares have been issued and fully paid. Immediately after completion of the Share Consolidation, the authorised share capital of the Company will comprise 52,543,986 issued Consolidated Shares and 69,956,014 unissued Consolidated Shares of HK\$1.00 each.

In order to facilitate the proposed Rights Issue and to provide the Company with the flexibility to issue new Consolidated Shares in the future, the Company further proposes, immediately after the Share Consolidation, to increase the authorised share capital to HK\$2,000,000,000 divided into 2,000,000,000 Consolidated Shares of HK\$1.00 each, of which 1,877,500,000 new unissued Consolidated Shares will be created. The Capital Reorganisation is conditional upon, inter alia, the approval of the Shareholders at the EGM.

PROPOSED RIGHTS ISSUE

Upon completion of the Capital Reorganisation, the Company proposes to raise approximately HK\$210.2 million before expenses (assuming no outstanding Convertible Notes are converted and no Share Options are exercised before the Record Date) or approximately HK\$219.7 million before expenses (assuming all outstanding Convertible Notes are converted and all Share Options are exercised before the Record Date) by way of the Rights Issue of not less than 210,175,944 Rights Shares and not more than 219,743,944 Rights Shares at a price of HK\$1.00 per Rights Share.

The Company will provisionally allot four Rights Shares in nil-paid form for every Consolidated Share held by the Qualifying Shareholders on the Record Date. The Rights Issue is not available to the Non-Qualifying Shareholders.

The Company has outstanding Convertible Notes convertible into 115,000,000 Shares and Share Options convertible into 124,200,000 Shares in issue as at the date of this announcement. Upon full conversion of the rights attaching to the outstanding Convertible Notes and Share Options, 239,200,000 Shares are to be issued or 2,392,000 Consolidated Shares are to be issued upon completion of the Capital Reorganisation.

The estimated net proceeds of the Rights Issue will be between HK\$205.7 million (assuming no outstanding Convertible Notes are converted and no Share Options are exercised before the Record Date) and HK\$215.2 million (assuming all outstanding Convertible Notes are converted and all Share Options are exercised before the Record Date). The Company plans to use the net proceeds as follows: (a) approximately HK\$200 million for investments in the property sector in general, both in Hong Kong and Macau, in order to expand its property portfolio; and (b) the balance of approximately HK\$5.7 million to 15.2 million will be used as general working capital of the Company. According to the Directors, the Company is currently reviewing several potential property projects. Nevertheless, negotiations are preliminary and announcements will be made by the Company, as deemed necessary under the Listing Rules by the Directors, if there is further progress to these reviews and negotiations. The Company shall make announcements if there is any change in the use of proceeds of the Rights Issue as and when appropriate.

The Rights Issue is conditional, inter alia, upon the fulfillment of the conditions set out below under the section headed “Conditions of the Rights Issue”. In particular, the Rights Issue is conditional upon the approval of the Independent Shareholders at the EGM. The Rights Issue is also subject to the Underwriter not terminating the Underwriting Agreement. Accordingly, the Rights Issue may or may not proceed.

Supervalue, which is wholly owned by Mr. Chu, owns approximately 16.36% of the issued share capital of the Company. Supervalue has irrevocably undertaken to the Company and the Underwriter that the Shares beneficially owned by it will not be disposed of or transferred and will remain registered in its name from the date of such undertaking to the close of business on the Record Date and that it will take up its entitlement under the Rights Issue in full. Pursuant to the Underwriting Agreement, the Rights Shares (other than the Rights Shares to be issued to and accepted by Supervalue) have been fully underwritten by the Underwriter.

In accordance with Rule 7.19(6)(a) of the Listing Rules, the Rights Issue is conditional upon approvals by the Shareholders at the EGM by a resolution on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour at the EGM. The Company does not have any controlling Shareholder as at the date of this announcement and save for Mr. Chu, none of the Directors and chief executive of the Company holds any Shares. Accordingly, Mr. Chu, being an executive Director, Supervalve and its associates will abstain from voting on the resolution(s) to approve the Rights Issue at the EGM. An independent board committee of the Company comprising the independent non-executive Directors will be appointed to make recommendations to the Independent Shareholders in respect of voting on the resolution(s) to approve the Rights Issue at the EGM by way of poll.

WARNING OF THE RISKS OF DEALINGS IN SHARES AND RIGHTS SHARES

It should be noted that the Underwriting Agreement contains provisions granting the Underwriter the right to terminate its obligations on the occurrence of certain events including force majeure. Please refer to the section headed "Termination of the Underwriting Agreement" for further details.

Any Shareholders or other persons dealing in Shares or Consolidated Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) and any persons dealing in the nil-paid Rights Shares during the period from Monday, 26 September, 2005 to Monday, 3 October, 2005 will bear the risk that the Rights Issue may not become unconditional or may not proceed. If in any doubt, investors are recommended to consult their professional advisers. Shareholders and potential investors should exercise caution in dealing in the securities of the Company.

To qualify for the Rights Issue, a Qualifying Shareholder's name must appear on the register of members of the Company on the Record Date, which is currently expected to be Wednesday, 21 September, 2005. In order to be registered as members on the Record Date, any transfers of Shares (together with the relevant share certificates) must be lodged for registration by 4:00 p.m. on Thursday, 15 September, 2005 (the share register will be closed from Friday, 16 September, 2005 to Wednesday, 21 September, 2005, both dates inclusive).

RESUMPTION IN TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on Monday, 8 August, 2005 pending the release of this announcement. Application will be made to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on Friday, 12 August, 2005.

CAPITAL REORGANISATION

Background

The Company proposes to put forward the Capital Reorganisation and the terms expressed below, for approval by the Shareholders:

- (a) the Share Consolidation of every 100 issued and unissued Shares will be consolidated into one Consolidated Share. As at the date of this announcement, the authorised share capital of the Company

is HK\$122,500,000 comprising 12,250,000,000 Shares of HK\$0.01 each, of which approximately HK\$52,543,986 comprising 5,254,398,668 Shares have been issued and fully paid. Immediately after the completion of the Share Consolidation, the authorised share capital of the Company will comprise 52,543,986 issued Consolidated Shares and 69,956,014 unissued Consolidated Shares of HK\$1.00 each; and

- (b) immediately after the Share Consolidation, the increase of the authorised share capital of the Company to HK\$2,000,000,000 divided into 2,000,000,000 Consolidated Shares of HK\$1.00 each, of which 1,877,500,000 new unissued Consolidated Shares will be created taking into account the Share Consolidation becoming effective.

The issued Consolidated Shares will rank *pari passu* in all respects with each other and the Share Consolidation will not result in any change in the relative rights or proportionate interests of the Shareholders, except that any fractional Consolidated Shares arising as a result of the Share Consolidation will be aggregated, sold and retained for the benefit of the Company. The Capital Reorganisation is conditional upon, *inter alia*, the approval of the Shareholders at the EGM.

Details of the Capital Reorganisation such as arrangements with regard to parallel trading, odd lot matching services of Consolidated Shares, new colour for the Consolidated Share certificates, and the free exchange of Consolidated Share certificates will be included in the Circular to be despatched to Shareholders.

Financial effects of the Capital Reorganisation

Other than the relevant expenses incurred, the implementation of the Capital Reorganisation will have no effect on the consolidated net asset value of the Group, nor will it alter the underlying assets, business, operations, management or financial position of the Company or the interests of the Shareholders (save that the Shareholders who are holding odd lots of Shares will not have any entitlement to fractions of the Consolidated Shares) as a whole. The Directors believe that the Capital Reorganisation will not have any material adverse effect on the financial position of the Group.

Reasons for the Capital Reorganisation

The Board believes that the Capital Reorganisation is beneficial to the Company and the Shareholders as a whole in general. The Share Consolidation will reduce the number of board lots in the market and increase the nominal value of the Shares. The existing Shares are presently traded in board lots of 2,000. It is proposed that the Consolidated Shares will also be traded in board lots of 2,000. Accordingly, the market price of the Shares will increase by 100 times theoretically upon the Share Consolidation becoming effective. Based on the closing price quoted on the Stock Exchange on the Last Trading Day of HK\$0.025 per Share, the value per board lot of 2,000 Shares and 2,000 Consolidated Shares are HK\$50 and HK\$5,000 respectively. The transaction cost per dollar value of each Consolidated Share will therefore be lower. The increase in authorised share capital of the Company will facilitate the proposed Rights Issue and provide the Company with the flexibility to issue new Consolidated Shares in the future. In order to alleviate Shareholders' difficulty in dealing in odd lots that may arise as a result of the Share Consolidation, the Company will appoint a designated broker to stand in the market to provide matching services to Shareholders on a best effort basis.

After completion of the Capital Reorganisation and the Rights Issue (based on the theoretical ex-right price of approximately HK\$1.3 per Consolidated Share), the market value of the Consolidated Shares will be above the nominal value of the Consolidated Shares of HK\$1.00 each. The Board is of the opinion that the proposed nominal value of the Consolidated Shares to be maintained at HK\$1.00 each will provide the Company with greater flexibility for the issue of new Consolidated Shares in the future and is thus in the best interests of the Company and Shareholders as a whole. However, the Board has no present intention to issue further new Consolidated Shares except for the proposed Rights Issue.

Conditions of the Capital Reorganisation

The Capital Reorganisation is conditional upon the following:

- (a) the passing by the Shareholders of the necessary resolutions at the EGM to approve the Capital Reorganisation; and
- (b) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares.

The Capital Reorganisation is not conditional upon the Rights Issue being approved by the Independent Shareholders at the EGM.

Expected effective date of the Capital Reorganisation

Subject to the above conditions being fulfilled, the Capital Reorganisation is expected to become effective on Thursday, 22 September, 2005.

PROPOSED RIGHTS ISSUE

The Rights Issue is proposed to take place after the Capital Reorganisation becomes effective.

Issue statistics

Basis of the Rights Issue	:	Four (4) Rights Shares for every Consolidated Share held on the Record Date
Number of Shares in issue	:	5,254,398,668 Shares as at the date of this announcement
Number of Consolidated Shares after completion of the Capital Reorganisation	:	52,543,986 Consolidated Shares (assuming no outstanding Convertible Notes are converted and no Share Options are exercised before the Record Date) or 54,935,986 Consolidated Shares (assuming all outstanding Convertible Notes are converted and all Share Options are exercised before the Record Date)
Number of Rights Shares	:	not less than 210,175,944 Rights Shares (assuming no outstanding Convertible Notes are converted and no Share Options are exercised before the Record Date) and not more than 219,743,944 Rights Shares (assuming all outstanding Convertible Notes are converted and all Share Options are exercised before the Record Date)

Save for (i) the outstanding Convertible Notes, which are convertible into 115,000,000 Shares (or 1,150,000 Consolidated Shares) and (ii) the outstanding Share Options, which when exercised in full will result in the issue of 124,200,000 Shares (or 1,240,000 Consolidated Shares), the Company has no outstanding options, warrants or other securities convertible into or giving rights to subscribe for the Shares as at the date hereof.

Subscription price per Rights Share : HK\$1.00 per Rights Share with nominal value of HK\$1.00 each

Assuming that no outstanding Convertible Notes are converted and no Share Options are exercised before the Record Date, the 210,175,944 nil-paid Rights Shares proposed to be provisionally allotted represent:

- (a) 4% of the Company's existing issued share capital;
- (b) 400% of the Company's issued share capital upon completion of the Capital Reorganisation; and
- (c) approximately 80% of the Company's issued share capital upon completion of the Capital Reorganisation and as enlarged by the issue of the Rights Shares.

Qualifying Shareholders

The Company will send the Prospectus Documents to the Qualifying Shareholders. For the Non-Qualifying Shareholders, the Company will send copies of the Prospectus to them for their information only, but the Company will not send any PAL and EAF to the Non-Qualifying Shareholders.

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and must be a Qualifying Shareholder.

In order to be registered as members of the Company at the close of business on the Record Date, Shareholders must lodge any transfers of Shares (together with the relevant share certificates) with the Company's branch registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:00 p.m. on Thursday, 15 September, 2005.

Holders of outstanding Convertible Notes and Share Options who wish to participate in the Rights Issue should convert their Convertible Notes and exercise their Share Options in accordance with their respective terms before 4:00 p.m. on Thursday, 15 September, 2005 so as to enable them to be registered as a Shareholder on or before the Record Date.

Closure of register of members

The register of members of the Company will be closed from Friday, 16 September, 2005, to Wednesday, 21 September, 2005, both dates inclusive. No transfers of Shares will be registered during this period.

Subscription price

The subscription price for the Rights Shares is HK\$1.00 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for Rights Shares. The subscription price represents:

Rights Price	Before Share Consolidation <i>HK\$0.01</i>	After Share Consolidation <i>HK\$1.00</i>
(a) Closing price per Share quoted on the Stock Exchange on the Last Trading Day <i>Discount (%)</i>	HK\$0.0250 <i>60.0%</i>	HK\$2.50 <i>60.0%</i>
(b) Theoretical ex-rights price calculated based on the closing price per Share quoted on the Stock Exchange on the Last Trading Day <i>Discount (%)</i>	HK\$0.0130 <i>23.1%</i>	HK\$1.30 <i>23.1%</i>
(c) Average closing price per Share for the last 10 full trading days quoted on the Stock Exchange up to and including the Last Trading Day <i>Discount (%)</i>	HK\$0.0227 <i>55.9%</i>	HK\$2.27 <i>55.9%</i>
(d) Net tangible asset value per Share based on the audited net tangible asset value of the Group of approximately HK\$95.9 million and 3,269,398,668 Shares in issue as at 31 July, 2004 as stated in the annual report of the Company for the year ended 31 July, 2004 <i>Discount (%)</i>	HK\$0.0293 <i>65.9%</i>	HK\$2.93 <i>65.9%</i>
(e) Net tangible asset value per Share based on the unaudited net tangible asset value of the Group of approximately HK\$129.5 million and 4,069,398,668 Shares in issue as at 31 January, 2005 as stated in the interim report of the Company for the six months ended 31 January, 2005 <i>Discount (%)</i>	HK\$0.0318 <i>68.6%</i>	HK\$3.18 <i>68.6%</i>

The subscription price for the Rights Shares was determined after arm's length negotiations between the Company and the Underwriter with reference to the current market price and recent price trend of the Shares. The Directors noted the price of the Shares as at the Last Trading Day and the subscription price of the Rights Shares are both below the net tangible asset value per Share as at 31 January, 2005. However, having discussed with the Underwriter and taking into consideration that (i) the prices of the Shares have been on a declining trend since attaining their highest level of HK\$0.035 per Share in May 2005 and trading has since retreated to between HK\$0.021 to HK\$0.027 per Share from 4 July, 2005 and up to the Last Trading Day; and (ii) the willingness of the Underwriter to underwrite the Rights Shares, the Directors consider the terms of the Rights Issue, including the subscription price, to be fair and reasonable and in the best interests of the Company and the Shareholders.

Basis of provisional allotment

The basis of the provisional allotment shall be four Rights Shares for every Consolidated Share, being not less than 210,175,944 Rights Shares and not more than 219,743,944 Rights Shares at a price of HK\$1.00 per Rights Share. Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for.

Share certificates and refund cheques for Rights Issue

Subject to the fulfillment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted on or before Wednesday, 12 October, 2005 to those who have accepted and (where applicable) applied for, and paid for the Rights Shares by ordinary post at their own risk. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before Wednesday, 12 October, 2005 by ordinary post to the applicants at their own risk.

Status of the Rights Shares

The Rights Shares, when allotted and fully paid, will rank *pari passu* in all respects with the Consolidated Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares.

Rights of Non-Qualifying Shareholders

The Company is currently making enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders. If based on legal opinions provided by the legal advisers, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the place of his registered address or the requirements of the relevant regulatory body or stock exchange in that place, the Rights Issue will not be available to such Overseas Shareholders. The basis for excluding the Non-Qualifying Shareholders, if any, from the Rights Issue will be set out in the Prospectus to be issued. The Company will send copies of the Prospectus to the Non-Qualifying Shareholders for their information only, but the Company will not send any PAL and EAF to the Non-Qualifying Shareholders.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence and before dealings in nil-paid Rights Shares end, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of more than HK\$100 will be paid pro rata to the Non-Qualifying Shareholders. The Company will retain individual amounts of HK\$100 or less for its own benefit. Any unsold entitlement of Non-Qualifying Shareholders, together with any Rights Shares provisionally allotted but not accepted, will be made available for excess application on EAFs by Qualifying Shareholders.

Application for excess Rights Shares

Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Non-Qualifying Shareholders and for any Rights Shares provisionally allotted but not accepted.

Applications for excess Rights Shares may be made by completing the EAF and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis but will give preference to the topping-up of odd lots to whole board lots.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of and permission to deal in (a) the Consolidated Shares in issue after the Capital Reorganisation becoming effective; and (b) the Rights Shares, in both their nil-paid and fully-paid forms to be allotted and issued pursuant to the Rights Issue.

Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares and Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Capital Reorganisation becoming effective and the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms or such other dates as may be determined by HKSCC.

No part of the share capital of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms, both in board lots of 2,000, which are registered in the branch register of members of the Company in Hong Kong will be subject to the payment of stamp duty in Hong Kong.

Underwriting arrangements

Underwriting agreement dated 8 August, 2005

The Underwriter has agreed to fully underwrite up to 185,349,384 Rights Shares, which represent approximately 67.48% of the issue share capital of the Company as enlarged by the issue of the Rights Shares, other than Rights Shares which Supervalve has undertaken to subscribe (being 219,743,944 Rights Shares, assuming all outstanding Convertible Notes are converted and all Share Options are exercised before the Record Date, less the 34,394,560 Rights Shares to be issued to and accepted by Supervalve). The Underwriter and its ultimate beneficial controlling shareholder do not have any shareholding in the Company and are not connected persons (as defined in the Listing Rules) of the Company, details of which are set out under the paragraph headed “Shareholding in the Company” below.

Conditions of the Rights Issue

The Rights Issue is conditional, among other things, on each of the following conditions being fulfilled:

- (i) the approval of the Capital Reorganisation by Shareholders at the EGM and the Capital Reorganisation becoming effective thereafter;
- (ii) the passing of the relevant resolutions by the Independent Shareholders approving the Rights Issue at the EGM;

- (iii) the posting of the Prospectus Documents to the Qualifying Shareholders; and
- (iv) the Listing Committee of the Stock Exchange agreeing to grant listings of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (if any) by no later than the dates specified in such approval and not having withdrawn or revoked such listings and permission on or before 4:00 p.m. on the Settlement Date.

If the conditions of the Rights Issue under the Underwriting Agreement are not fulfilled (or waived in whole or in part by the Underwriter) by the relevant dates and times specified in the Underwriting Agreement (or, in each case, such later date or time as the Underwriter may agree in writing with the Company pursuant to the Underwriting Agreement), then all liabilities of the parties thereto shall cease and terminate and neither party shall have any claim against the other (except in respect of any antecedent breaches and any matters or things arising out of or in connection with the Underwriting Agreement) and the irrevocable undertaking by Supervalve to accept its entitlement under the Rights Issue will lapse. The Rights Issue will not proceed accordingly.

Commission

The Company will pay the Underwriter an underwriting commission of 1.5% of the aggregate subscription price of the Rights Shares underwritten by it, out of which the Underwriter may pay sub-underwriting fees. The Directors believe that the underwriting commission accords with market rates and is fair and reasonable to the Company.

Undertaking from Supervalve

As at the date of this announcement, Supervalve, which is wholly owned by Mr. Chu, is interested in 859,864,000 Shares, representing approximately 16.36% of the total issued share capital of the Company. Supervalve has irrevocably undertaken to the Company and the Underwriter that the Shares beneficially owned by it will not be disposed of or transferred and will remain registered in its name from the date of the undertaking, being 8 August, 2005, to the close of business on the Record Date and that it will take up its entitlement in full, representing 34,394,560 Rights Shares. Supervalve will not apply for any excess Rights Shares.

Termination of the Underwriting Agreement

The Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing given by the Underwriter to the Company at any time prior to 4:00 p.m. on the Settlement Date if there occurs:

1. (a) an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or
- (b) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; or

- (c) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out;

and in the reasonable opinion of the Underwriter, such change would have a material and adverse effect on the business, financial or trading position or prospects of the Group as a whole or the success of the Rights Issue or make it inadvisable or inexpedient to proceed with the Rights Issue; or

- 2. if, at or prior to 4:00 p.m. on the Settlement Date following the Acceptance Date:
 - (a) the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position; or
 - (b) the Underwriter receives the relevant notification pursuant to the Underwriting Agreement upon the Company becoming aware of any untrue or inaccurate representations or warranties contained in the Underwriting Agreement, or shall otherwise become aware of, the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate or would be untrue or inaccurate if repeated as provided in the Underwriting Agreement, and the Underwriter, shall, in its reasonable opinion, determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or
 - (c) the Prospectus Documents when published, contain information which would be untrue or inaccurate in any material respect and the Company has failed to promptly send out any announcements or circulars (after the despatch of the Circular or the Prospectus Documents), in such manner (and as appropriate with such contents), as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company.

Upon the giving of notice of termination, all obligations of the Underwriter under the Underwriting Agreement shall cease and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriter such fees as may then be agreed by the relevant parties. If the Underwriter exercises such right, the Rights Issue will not proceed.

WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES

The Shares will be dealt in on an ex-rights basis from Wednesday, 14 September, 2005. Dealings in the Rights Shares in the nil-paid form will take place from Monday, 26 September, 2005 to Monday, 3 October, 2005 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed.

Any Shareholders or other persons contemplating selling or purchasing Shares, the Consolidated Shares and Rights Shares in their nil-paid form during the period from Monday, 26 September, 2005 to Monday, 3 October, 2005 (both dates inclusive), who are in any doubt about their position are recommended to consult their professional advisers. Any Shareholders or other persons dealing in the Shares or the Consolidated Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) and any persons dealing in the nil-paid Rights Shares during the period from Monday, 26 September, 2005 to Monday, 3 October, 2005 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Expected timetable

The expected timetable for the Capital Reorganisation and Rights Issue is set out below:

2005

Last day of dealings in Shares on a cum-rights basis	Tuesday, 13 September
First day of dealings in Shares on an ex-rights basis	Wednesday, 14 September
Latest time for lodging transfers of Shares in order to qualify for Rights Issue	4:00 p.m., Thursday, 15 September
Register of members to be closed	Friday, 16 September to Wednesday, 21 September (both dates inclusive)
Latest time for return of proxy form of EGM (not less than 48 hours)	9:00 a.m., Monday, 19 September
Expected date of EGM	9:00 a.m., Wednesday, 21 September
Record Date	Wednesday, 21 September
Effective date of the Capital Reorganisation	9:00 a.m., Thursday, 22 September
Register of members to be re-opened	Thursday, 22 September
Prospectus Documents to be posted	Thursday, 22 September
Commencement of dealings in Consolidated Shares	Thursday, 22 September
Original counter for trading in Shares (in board lots of 2,000 Shares) to be closed	9:30 a.m., Thursday, 22 September
Temporary counter for trading in Consolidated Shares in board lots of 20 Consolidated Shares (in form of existing share certificates) to be opened	9:30 a.m., Thursday, 22 September
Free exchange of existing share certificates for new share certificates commences	Thursday, 22 September
First day of dealings in nil-paid Rights Shares	Monday, 26 September
Latest time for splitting of nil-paid Rights Shares	4:00 p.m., Wednesday, 28 September
Last day of dealings in nil-paid Rights Shares	Monday, 3 October
Latest time for payment for and acceptance of Rights Shares	4:00 p.m., Thursday, 6 October

Original counter for trading in Consolidated Shares (in board lots of 2,000 Shares) to be re-opened	9:30 a.m., Thursday, 6 October
Parallel trading in Consolidated Shares (in form of new and existing certificates) begins	9:30 a.m., Thursday, 6 October
Designated broker starts to stand in the market to provide matching services	Thursday, 6 October
Rights Issue expected to become unconditional	after 4:00 p.m., Monday, 10 October
Announcement of results of acceptance and excess application of the Rights Issue	Wednesday, 12 October
Despatch of refund cheques for wholly and partially unsuccessful excess applications	Wednesday, 12 October
Despatch of certificates for fully-paid Rights Shares	Wednesday, 12 October
First day of dealings in the fully-paid Rights Shares	Thursday, 13 October
Temporary counter for trading in Consolidated Shares in board lots of 20 Consolidated Shares (in form of existing share certificates) to be closed	4:00 p.m., Friday, 28 October
Parallel trading in Consolidated Shares (in form of new and existing certificates) ends	4:00 p.m., Friday, 28 October
Designated broker ceases to stand in the market to provide matching services	4:00 p.m., Friday, 28 October
Free exchange of existing share certificates for new share certificates ends	Wednesday, 2 November

Dates or deadlines specified in this announcement are indicative only and may be exercised or varied by agreement between the Company and the Underwriter. Any consequential changes to the expected timetable will be published or notified to Shareholders appropriately.

Shareholding in the Company

Assuming **no outstanding Convertible Notes are converted and no Share Options are exercised before the Record Date**, the shareholding in the Company immediately after the Capital Reorganisation but before completion of the Rights Issue and immediately after completion of the Rights Issue is as follows:

	Existing shareholding		Immediately after the Capital Reorganisation but before completion of the Rights Issue		After completion of the Rights Issue (assuming all Rights Shares are taken up by Qualifying Shareholders)		After completion of the Rights Issue (assuming no Rights Shares are taken up by Qualifying Shareholders other than Supervalve)	
	Shares	%	Consolidated Shares	%	Consolidated Shares	%	Consolidated Shares	%
Supervalve	859,864,000	16.36	8,598,640	16.36	42,993,200	16.36	42,993,200	16.36
Underwriter (Note)	—	—	—	—	—	—	175,781,384	66.91
Public	4,394,534,668	83.64	43,945,346	83.64	219,726,730	83.64	43,945,346	16.73
Total	<u>5,254,398,668</u>	<u>100.00</u>	<u>52,543,986</u>	<u>100.00</u>	<u>262,719,930</u>	<u>100.00</u>	<u>262,719,930</u>	<u>100.00</u>

Note: The Underwriter has confirmed that it has sub-underwritten its underwriting obligations under the Rights Issue to sub-underwriters such that each of the Underwriter, sub-underwriters and parties acting in concert with any of them will not own 30% or more of the issued share capital of the Company after completion of the Rights Issue.

Assuming **all outstanding Convertible Notes are converted and all Share Options are exercised before the Record Date**, the shareholding in the Company immediately after the Capital Reorganisation but before completion of the Rights Issue and immediately after completion of the Rights Issue is as follows:

	Existing shareholding		Immediately after the Capital Reorganisation but before completion of the Rights Issue		After completion of the Rights Issue (assuming all Rights Shares are taken up by Qualifying Shareholders)		After completion of the Rights Issue (assuming no Rights Shares are taken up by Qualifying Shareholders other than Supervalve)	
	Shares	%	Consolidated Shares	%	Consolidated Shares	%	Consolidated Shares	%
Supervalve	859,864,000	15.65	8,598,640	15.65	42,993,200	15.65	42,993,200	15.65
Underwriter (Note)	—	—	—	—	—	—	185,349,384	67.48
Public	4,633,734,668	84.35	46,337,346	84.35	231,686,730	84.35	46,337,346	16.87
Total	<u>5,493,598,668</u>	<u>100.00</u>	<u>54,935,986</u>	<u>100.00</u>	<u>274,679,930</u>	<u>100.00</u>	<u>274,679,930</u>	<u>100.00</u>

Note: The Underwriter has confirmed that it has sub-underwritten its underwriting obligations under the Rights Issue to sub-underwriters such that each of the Underwriter, sub-underwriters and parties acting in concert with any of them will not own 30% or more of the issued share capital of the Company after completion of the Rights Issue.

The Underwriter is wholly-owned by Get Nice Incorporated, which in turn is wholly-owned by Get Nice Holdings Limited (stock code: 64) (“Get Nice Holdings”), a listed company on the main board of the Stock Exchange. According to the Underwriter, Get Nice Holdings is owned as to approximately 30.36% by Honeylink Agents Limited, an investment holding company incorporated in the British Virgin Islands with limited liability and as to approximately 69.64% by the public as at the date of this announcement. The Underwriter and its ultimate controlling shareholder are Independent Third Parties and are not parties acting in concert with Supervalve. The sub-underwriters and their ultimate beneficial owners are Independent Third Parties and are not parties acting in concert with Supervalve and the Underwriter.

In the event that the Underwriter and the sub-underwriters are required to take up the Rights Shares pursuant to their underwriting obligations, the Underwriter and the sub-underwriters shall procure independent placees to take up such number of Rights Shares as necessary to ensure that the public float requirements under Rule 8.08 of the Listing Rules are complied with.

The Stock Exchange has stated that it will closely monitor trading in the Consolidated Shares following the completion of the Rights Issue. If less than 25% (or such lower percentage as may be allowed under the Listing Rules) of the Consolidated Shares are held by the public, it will constitute a breach of the Listing Rules, and if the Stock Exchange believes that:

- **a false market exists or may exist in the trading in the Consolidated Shares; or**
- **there are too few Consolidated Shares in public hands to maintain an orderly market,**

then it will consider exercising its discretion to suspend trading in the Consolidated Shares until a sufficient public float is attained.

Reasons for the Rights Issue and use of proceeds

The Company is principally engaged in property rental, financial investment, property sale, provision of estate agency services and other investments. According to the annual report of the Company for the financial year ended 31 July, 2004, the Group recorded an audited consolidated turnover of approximately HK\$22.6 million (2003: approximately HK\$41.3 million), net loss of approximately HK\$2.86 million (2003: net loss of approximately HK\$44.0 million), and had net tangible asset value of approximately HK\$95.9 million (2003: approximately HK\$79.1 million) as at 31 July, 2004. The Directors attributed such improvement in results to the decrease in deficit from revaluation of investment properties, decrease in allowance for loan receivables and decrease in administration expenses following the disposal of the sale of silk products business.

According to the interim report of the Company for the six months ended 31 January, 2005, the Group has managed to turnaround its financial performance and a net profit of approximately HK\$13.7 million was recorded compared to a net loss of approximately HK\$1.0 million for the same period in 2004. The Directors attributed such improvement to the continued improvement in the local economy and the recent surges in local property prices and transaction volume, and the continuing benefit to the retail sectors brought about by increasing number of mainland visitors traveling under individual travel permits granted by PRC local provinces.

The Group has been actively seeking investment opportunities in the property sector in general, both in Hong Kong and Macau, in order to expand its property portfolio. The Group strives to identify appropriate property investments that satisfy the Group’s stringent investment criteria in terms of risks and returns, and continue to seek and, if thought fit, capture any appropriate investment opportunities which may arise in

these areas. According to the Directors, while there have been ongoing discussions on potential investment opportunities, they are preliminary and are subject to further negotiations. The Company will make further announcements in relation to the progress of any potential investment opportunities as and when deemed necessary and appropriate by the Directors, to ensure compliance with Rule 13.09 of the Listing Rules.

The Directors believe that appropriate investment opportunities may arise at any time and investment decision may have to be made within a short period of time. They are therefore of the view that sufficient cash resources will be necessary for the Group to secure any genuine and suitable investment opportunities at a timely and cost effective manner, without resorting to high cost borrowings. The Directors have considered other ways of fund raising such as debt financing and placing of new Shares, and the Directors are of the opinion that in order to save interests costs incurred in debt financing and in view of the dilution effect of the interests of the Shareholders in case of placing new Shares, it is in the best interests of the Company and the Shareholders to enlarge the capital base and increase the liquidity of Shares through the Rights Issue, as the enlarged capital base will support the continuing development and daily operation of the Group and at the same time allow the Group to invest in any potential property investment projects in a timely manner. The Rights Issue also allows Shareholders (other than Non-Qualifying Shareholder(s)) to participate in the growth and future development of the Group on equal terms.

The estimated net proceeds of the Rights Issue will be between HK\$205.7 million (assuming no outstanding Convertible Notes are converted and no Share Options are exercised before the Record Date) and HK\$215.2 million (assuming all outstanding Convertible Notes are converted and all Share Options are exercised before the Record Date). The Company plans to use the net proceeds as follows: (a) approximately HK\$200 million for investments in the property sector in general, both in Hong Kong and Macau, in order to expand its property portfolio; and (b) the balance of approximately HK\$5.7 million to 15.2 million will be used as general working capital of the Company. According to the Directors, the Company is currently reviewing several potential property projects. Nevertheless, negotiations are preliminary and announcements will be made by the Company, as deemed necessary under the Listing Rules by the Directors, if there is further progress to these reviews and negotiations. The Company shall make announcements if there is any change in the use of proceeds of the Rights Issue as and when appropriate.

Adjustments in relation to the Convertible Notes and the Share Options

The Capital Reorganisation and the Rights Issue may lead to adjustment to the subscription price and/or the number of Consolidated Shares to be issued upon conversion of the outstanding Convertible Notes and exercises of the Share Options. The Company will consult its auditors for the required adjustment and the holders of the Convertible Notes and Share Options will be informed of the required adjustments (if any) as soon as practicable.

PREVIOUS FUND RAISING EXERCISES OF THE COMPANY

The fund raising exercises conducted by the Company in the past 12 months immediately preceding the date of this announcement are set out below:

Date of announcement	Description	Net proceeds	Intended use of net proceeds as announced	Actual use of proceeds
5 January, 2005	(i) Placing of 650,000,000 Shares and top-up subscription of 650,000,000 Shares at HK\$0.0265 per Share	HK\$16.8 million	The aggregate net proceeds of approximately HK\$52.4 million are designated for property development and investment in Macau including retail shops and commercial buildings.	The net proceeds have not been used and are temporarily deposited with banks.
	(ii) Placing of the Convertible Notes in the aggregate principal amount of HK\$36.4 million	HK\$35.6 million		

The Directors are of the view that the Company has sufficient funds to meet its current working capital requirements after the Rights Issue and has no immediate intention to issue further new Consolidated Shares to raise funds. The Group may however raise further funds in future when there is such other requirement, including if opportunities for new businesses or investments arise.

RESUMPTION IN TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on Monday, 8 August, 2005 pending the release of this announcement. Application will be made to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on Friday, 12 August, 2005.

GENERAL

Altus Capital and Get Nice Capital have been appointed as the joint financial advisers to the Company in relation to, inter alia, the Capital Reorganisation and the Rights Issue. Altus Capital and Get Nice Capital, being a wholly-owned subsidiary of Get Nice Holdings, are independent of and not connected with the Directors, chief executive or substantial shareholders of the Company, any of its subsidiaries or any of their respective associates (which has the meaning ascribed thereto under the Listing Rules).

The Circular containing, inter alia, further information on the Capital Reorganisation and the Rights Issue, together with a notice of the EGM containing necessary resolution(s) to approve the above will be despatched to the Shareholders as soon as practicable. In accordance with the Listing Rules, the Capital Reorganisation will be subject to the approval by the Shareholders at the EGM. In accordance with Rule 7.19(6)(a) of the Listing Rules, the Rights Issue is conditional upon approvals by the Shareholders at the EGM by a resolution on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour at the EGM. The Company does not have any controlling Shareholder as at the date of this announcement and save for Mr. Chu, none of the Directors and chief executive of the Company holds any Shares. Accordingly, Mr. Chu, being an executive Director, Supervalue and its associates will abstain from voting at the EGM in respect of the Rights Issue, which will be subject to the approval by the Independent Shareholders at the EGM by way of poll.

An independent board committee of the Company comprising the independent non-executive Directors will be appointed to make recommendations to the Independent Shareholders in respect of voting on the resolutions to approve the Rights Issue at the EGM by way of poll. The Circular will also contain a letter of advice from the independent financial adviser to be appointed by the Company to advise the independent board committee of the Company on the terms and conditions of the Rights Issue and the recommendation of the independent board committee of the Company to the Independent Shareholders.

Subject to the Capital Reorganisation and the Rights Issue being approved at the EGM, the Prospectus or Prospectus Documents, where appropriate, containing further information on the Rights Issue will be despatched to Shareholders as soon as practicable. Shareholders and potential investors should exercise caution in dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Acceptance Date”	Thursday, 6 October, 2005 (or such other date as the Underwriter may agree in writing with the Company as the latest date for acceptance of, and payment of, Rights Shares)
“Altus Capital”	Altus Capital Limited, a licensed corporation to carry out business in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance), and type 9 (asset management) regulated activities under the SFO, which is not a connected person (as defined in the Listing Rules) of the Company, and one of the Joint Financial Advisers
“associate(s)”	has the same meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day on which banks are generally open for business for more than five hours in Hong Kong
“Capital Reorganisation”	the Share Consolidation and the increase of authorised share capital of the Company to HK\$2,000,000,000 by the creation of 1,877,500,000 Consolidated Shares
“Circular”	the circular containing further information on the Capital Reorganisation and the Rights Issue together with the notice of EGM to approve the relevant resolutions
“Company”	Capital Estate Limited, a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
“Consolidated Share(s)”	share(s) of HK\$1.00 each in the share capital of the Company after the Share Consolidation becoming effective

“Convertible Notes”	the convertible notes issued by the Company in the aggregate principal amount of HK\$36.4 million pursuant to the conditional placing agreement entered into by the Company dated 5 January, 2005. Details of which are set out in the announcement and circular of the Company dated 5 January, 2005 and 24 January, 2005 respectively
“Director(s)”	director(s) of the Company
“EAF(s)”	the excess application form(s) to be issued in connection with the Rights Issue
“EGM”	the extraordinary general meeting of the Company expected to be held on Wednesday, 21 September, 2005 at which resolutions will be proposed to consider and, if thought fit, approve the Capital Reorganisation and the Rights Issue
“Get Nice Capital”	Get Nice Capital Limited, a deemed licensed corporation to carry out business in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, which is not a connected person (as defined in the Listing Rules) of the Company, and one of the Joint Financial Advisers
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders other than Supervalue and its associates
“Independent Third Party(ies)”	independent third party(ies) not connected with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates
“Joint Financial Advisers”	Altus Capital and Get Nice Capital
“Last Trading Day”	5 August, 2005, being the last trading day before the suspension of the trading of the Shares, pending the release of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chu”	Mr. Chu Nin Yiu, Stephen, an executive Director
“Non-Qualifying Shareholder(s)”	Overseas Shareholder(s) in respect of whom the Directors, based on legal opinions provided by the legal advisers, consider it necessary or expedient not to offer the Rights Issue to such Shareholders on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place

“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register is/are in a place(s) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be issued in connection with the Rights Issue
“PRC”	The People’s Republic of China
“Prospectus”	a prospectus to be issued containing details of the Rights Issue
“Prospectus Documents”	the Prospectus, PAL and EAF
“Qualifying Shareholder(s)”	Shareholder(s), other than the Non-Qualifying Shareholders, whose name(s) appear on the register of members of the Company at the close of business on the Record Date
“Record Date”	Wednesday, 21 September, 2005 or such other date as the Underwriter may agree in writing with the Company as the date by reference to which entitlements to the Rights Issue are to be determined
“Rights Issue”	the issue by way of rights of four Rights Shares for every one Consolidated Share in issue on the Record Date at a price of HK\$1.00 per Rights Share
“Rights Share(s)”	new Consolidated Share(s) to be issued and allotted under the Rights Issue, being not less than 210,175,944 Consolidated Shares and not more than 219,743,944 Consolidated Shares
“Settlement Date”	the date being the second Business Day following the Acceptance Date
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company before the Share Consolidation becoming effective
“Share Consolidation”	the consolidation of every 100 Shares into one Consolidated Share
“Shareholder(s)”	holder(s) of Share(s) or Consolidated Share(s) (as the case may be)
“Share Option(s)”	the outstanding share option(s) granted by the Company pursuant to the share option scheme of the Company adopted on 30 December, 2002
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Supervalue”	Supervalue Holdings Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Chu, which principal business is holding of the shareholding interests in the Company
“Underwriter”	Get Nice Investment Limited, a deemed licensed corporation to carry out business in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance), and type 9 (asset management) regulated activities under the SFO, which is not a connected person (as defined in the Listing Rules) of the Company
“Underwriting Agreement”	the underwriting agreement dated 8 August, 2005 entered into between the Company and the Underwriter in relation to the underwriting and certain other arrangements in respect of the Rights Issue
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“%” or “per cent.”	percentage or per centum

By order of the Board
Chu Nin Yiu, Stephen
Chairman

Hong Kong, 11 August, 2005

As at the date of this announcement, the Board comprises Mr. Chu Nin Yiu, Stephen, Mr. Chu Nin Wai, David, Mr. Lau Chi Kan, Michael as executive Directors and Mr. Li Sze Kuen, Billy, Mr. Wong Kwong Fat and Mr. Leung Kam Fai as independent non-executive Directors.

Please also refer to the published version of this announcement in The Standard.