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CAPITAL ESTATE LIMITED

冠中地產有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 193)

PROPOSED ADJUSTMENT OF THE NOMINAL VALUE OF THE SHARES OF THE COMPANY BY WAY OF CAPITAL REDUCTION

The Board announces that the Company intends to put forward a proposal to the Shareholders for the adjustment of the nominal value of the Shares, by cancelling paid up capital of the Company to the extent of HK\$0.19 on each of the issued Shares and by reducing the nominal value of all the issued and unissued Shares from HK\$0.20 to HK\$0.01 per New Share. On the basis of the 1,693,587,340 Shares currently in issue, a credit of HK\$321,781,594.60 will arise as a result of the Adjustment Proposal which will, in its entirety, be credited to the share premium account of the Company.

The Adjustment Proposal is subject to the conditions contained in the section headed “Conditions” below.

A circular setting out details of the Adjustment Proposal, arrangements for free exchange of certificates for the New Shares and a notice convening an extraordinary general meeting of the Company to approve the Adjustment Proposal will be despatched to the Shareholders as soon as practicable.

1. ADJUSTMENT PROPOSAL

The Board proposes the adjustment of the nominal value of the Shares, by cancelling paid up capital of the Company to the extent of HK\$0.19 on each of the issued Shares and by reducing the nominal value of all the issued and unissued Shares from HK\$0.20 to HK\$0.01 per New Share. On the basis of the 1,693,587,340 Shares currently in issue, a credit of HK\$321,781,594.60 will arise as a result of the Adjustment Proposal which will, in its entirety, be credited to the share premium account of the Company.

Since 25 April 2006, the Shares have generally been traded at prices around its nominal value of HK\$0.20 per Share, prices have ranged from a low of HK\$0.154 to a high of HK\$0.227. The closing price per Share on 4 August 2006 was HK\$0.172. Under the Companies Ordinance, the Company, being a company incorporated in Hong Kong, may not issue new shares at the discount to the nominal value of the Shares unless, amongst other things, such issue is authorised by a resolution of the Shareholders and/or (as appropriate) is sanctioned by the Court.

As a result, it creates difficulty for the Company to raise new equity capital from the securities market. Following the completion of the Adjustment Proposal, the nominal value of the Shares will become HK\$0.01 per New Share and will therefore allow the Company with greater flexibility in pricing any new equity fund raising exercise in the future. The Board therefore considers the Adjustment Proposal to be in the interests of the Company and the Shareholders as a whole. At present, no arrangement for the issue of any new Shares has been entered into by the Company with any party nor is any such arrangement proposed.

2. EFFECTS OF THE ADJUSTMENT PROPOSAL

The existing authorised share capital of the Company is HK\$2,000,000,000 divided into 10,000,000,000 Shares of HK\$0.20 each, of which 1,693,587,340 Shares have been issued and are credited as fully paid up. On the basis of the 1,693,587,340 Shares currently in issue, a credit of HK\$321,781,594.60 will arise as a result of the Adjustment Proposal which will be credited, in its entirety, to the share premium account of the Company.

Upon the Adjustment Proposal becoming effective, and assuming no further Shares are issued in the meantime, the authorised share capital of the Company will be HK\$100,000,000 divided into 10,000,000,000 New Shares, of which 1,693,587,340 New Shares will be in issue and credited as fully paid up.

The following table sets out the effect of the Adjustment Proposal on the share capital of the Company, that is, before and after the implementation of the Adjustment Proposal:

		Share capital before the Adjustment Proposal HK\$	Amount of the Share capital reduced as a result of the Adjustment Proposal HK\$	Share capital immediately after the Adjustment Proposal becoming effective HK\$
Par value		0.20	0.19	0.01
Authorised share capital:	10,000,000,000	2,000,000,000	1,900,000,000	100,000,000
Issued and fully paid share capital:	1,693,587,340	338,717,468	321,781,594.60	16,935,873.40

As at the date of the announcement, the Company has 46,500,000 outstanding Share options and 160,000,000 outstanding warrants. Pursuant to the warrant instrument of the Company dated 19 May 2006, there is no adjustment to the subscription price of the warrant in the event of a capital reduction where only the nominal value is reduced and no capital distribution is involved. The Company will appoint an independent financial advisor to check the accuracy of the computation of the adjustment, if any, of the option price in respect of the outstanding Share options of the Company. A separate notification setting out such adjustment, if any, will be sent to the holders of the options.

Other than the expenses incurred in relation to the Adjustment Proposal, the implementation of the Adjustment Proposal will not, in itself, alter the underlying assets, business operations, management or financial position of the Group or affect the proportionate interests of the Shareholders. The Board believes that the Adjustment Proposal will not have any adverse effect on the financial position of the Group. No capital will be lost as a result of the Adjustment Proposal and, except for the expenses involved in relation to the Adjustment Proposal which are expected to be insignificant in the context of the net asset value of the Company, the net asset value of the Group will remain unchanged before and after the Adjustment Proposal becoming effective. The Adjustment Proposal does not involve any diminution of any liability in respect of any unpaid capital of the Company or the repayment to the Shareholders of any paid up capital of the Company. The Adjustment Proposal will not result in any change in the relative rights of the Shareholders.

3. CONDITIONS OF THE ADJUSTMENT PROPOSAL

Implementation of the Adjustment Proposal is conditional upon the satisfaction of the following conditions:

- (i) the passing of a special resolution by the Shareholders to approve the Adjustment Proposal at an extraordinary general meeting to be convened by the Company;
- (ii) the registration by the Registrar of Companies in Hong Kong of a copy of resolution passed by the Shareholders, a copy of a minute containing the particulars required under section 61A of the Companies Ordinance and a statement in the prescribed form signed by an officer of the Company certifying that the relevant conditions under the Companies Ordinance have been satisfied; and
- (iii) the Stock Exchange granting the listing of, and permission to deal in, the New Shares in issue and to be issued arising from the Adjustment Proposal.

If these conditions are fulfilled, the Adjustment Proposal will become effective immediately following the registration of the minute required under section 61A of the Companies Ordinance, which is currently expected to be on or around 7 September 2006.

Application will be made to the Stock Exchange for the granting of the listing of, and permission to deal in, the New Shares in issue and to be issued arising from the Adjustment Proposal.

4. FREE EXCHANGE OF CERTIFICATES FOR SHARES

Shareholders may submit existing certificates for the Shares (in pink colour) to the share registrar of the Company, Computershare Hong Kong Investor Services Limited at Rooms 1712 - 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for exchange, at the expense of the Company within one month from the effective date of the Adjustment Proposal, which is expected to be on or around 7 September 2006, for certificates for the New Shares (in green colour). Thereafter, certificates for the Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange). Certificates for the existing shares will continue to be good evidence of legal title and may be exchanged for certificates for the New Shares at any time, and are valid for trading, settlement and registration on the basis of one Share for one New Share.

Subject to the granting of listing of, and permission to deal in, the New Shares on the Stock Exchange, the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

5. EXPECTED TIMETABLE IN RELATION TO THE ADJUSTMENT PROPOSAL

The expected timetable of the Adjustment Proposal is as follows:

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Latest time for lodging of proxies	10:00 a.m. on Monday, 4 September
Extraordinary general meeting	10:00 a.m. on Wednesday, 6 September
Effective date of Adjustment Proposal	Thursday, 7 September
Commencement of trading in the New Shares	9:30 a.m. on Thursday, 7 September
First day for free exchange of certificates for Shares into new certificates for New Shares	Thursday, 7 September
Last day for free exchange of certificates of Shares into new certificates for New Shares	Friday, 6 October

A further announcement will be made to inform the Shareholders should there be any change to the expected timetable in relation to the Adjustment Proposal.

6. GENERAL

The Group is principally engaged in property rental, financial investment, property development, property sales, provision of estate agency services and investment.

An application will be made to the Listing Committee for the listing of, and permission to deal, in the New Shares of HK\$0.01 each in the share capital of the Company in issue and to be issued following the completion of the Adjustment Proposal.

The New Shares will rank pari passu in all respects with each other. The New Shares will be traded in the existing board lot size of 5,000 New Shares.

A circular containing details of the Adjustment Proposal, arrangements for free exchange of certificates for the New Shares upon the Adjustment Proposal becoming effective and a notice convening an extraordinary general meeting of the Company to approve the Adjustment Proposal will be despatched to the Shareholders. To the best knowledge, information and belief of the Directors, none of the Shareholders or their associates has any interest in the Adjustment Proposal which is different from that of any other Shareholders. Accordingly, none of the Shareholders is required to abstain from voting at the extraordinary general meeting.

7. DEFINITIONS

Unless the context otherwise require, the following expressions have the following meanings in this announcement:

“Adjustment Proposal”	the proposal for the adjustment of the nominal value of the Shares by cancelling paid up capital to the extent of HK\$0.19 on each of the issued Shares and by reducing the nominal value of all issued and unissued Shares from HK\$0.20 to HK\$0.01 per Share
“Board”	the board of Directors
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	Capital Estate Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange
“Court”	the Court of First Instance of the High Court, Hong Kong
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Listing Committee”	has the meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Shares”	shares of HK\$0.01 each in the share capital of the Company upon the Adjustment Proposal becoming effective
“Shares(s)”	ordinary share(s) of HK\$0.20 each in the existing share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“special resolution”	means a resolution to be passed by not less than three-fourths of the votes cast by the members as, being entitled so to do, vote in person or, where proxies are allowed, by proxy, at a general meeting

“Stock Exchange” The Stock Exchange of Hong Kong Limited

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong

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

Hong Kong, 4 August 2006

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.