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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 RIGHTS ISSUE ON THE BASIS OF
FIVE RIGHTS SHARES FOR EVERY SHARE HELD;
INCREASE IN AUTHORISED SHARE CAPITAL;
AMENDMENT TO THE SHARE OPTION SCHEME;
AND
RESUMPTION OF TRADING**

PROPOSED RIGHTS ISSUE

The Company proposes to raise not less than approximately HK\$220.2 million before expenses (assuming no outstanding Share Options are exercised or Warrants are converted before the Record Date) or not more than approximately HK\$249.2 million before expenses (assuming all outstanding Share Options are exercised and Warrants are converted before the Record Date) by way of the Rights Issue of not less than 8,467,936,700 Rights Shares and not more than 9,584,436,700 Rights Shares at a price of HK\$0.026 per Rights Share.

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

The Company has 63,300,000 outstanding Share Options and 160,000,000 outstanding Warrants as at the date of this announcement. Upon exercise of the rights attaching to the outstanding Share Options and Warrants in full, 223,300,000 Shares will fall to be issued.

The estimated net proceeds of the Rights Issue will be approximately HK\$215.0 million (assuming no outstanding Share Options are exercised or Warrants are converted before the Record Date) and approximately HK\$243.4 million (assuming all outstanding Share Options are exercised and Warrants are converted before the Record Date).

The Rights Issue is conditional upon: (i) the Underwriting Agreement being not terminated by the Underwriter in accordance with the terms of the Underwriting Agreement; and (ii) the satisfaction of the conditions referred to below in the section headed “Conditions of the Rights Issue”. If the conditions are not fulfilled, the Rights Issue may or may not proceed.

Supervalue, which is wholly-owned by Mr. Chu, owns approximately 22.52% of the issued share capital of the Company, has irrevocably undertaken to the Company and the Underwriter that the Shares beneficially owned by it will remain beneficially owned by Supervalve at the close of business on the Record Date as they are on the date of the undertaking and that its entitlement under the Rights Issue will be taken up in full. Pursuant to the Underwriting Agreement, the Rights Shares (other than the Rights Shares to be allotted in respect of the Shares beneficially owned by Supervalve) 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, all other Directors (excluding independent non-executive Directors) namely Mr. Chu Nin Wai, David (deputy chairman of the Company) and Mr. Lau Chi Kan, Michael (executive Director) and their respective associates will abstain from voting on the resolution(s) to approve the Capital Increase and Rights Issue at the EGM.

An independent board committee of the Company comprising the independent non-executive Directors will be established to make recommendations to the Independent Shareholders in respect of voting on the resolution(s) to approve the Capital Increase and Rights Issue at the EGM by way of poll. An independent financial adviser will be appointed to advise the independent board committee of the Company and the Independent Shareholders in relation to the terms of the Rights Issue.

WARNING OF THE RISKS OF DEALINGS IN SHARES AND RIGHTS ISSUE

It should be noted that the Underwriting Agreement contains provisions granting the Underwriter the right to terminate their 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 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 Thursday, 15 March 2007 to Friday, 23 March 2007 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.

The last day for dealing in the Shares on a cum-rights basis is Monday, 5 March 2007. The Shares will be dealt in on an ex-rights basis from Tuesday, 6 March 2007. 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 Monday, 12 March 2007. 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 Wednesday, 7 March 2007 (the share register will be closed from Thursday, 8 March 2007 to Monday, 12 March 2007, both dates inclusive).

REASONS FOR THE PROPOSED RIGHTS ISSUE AND USE OF PROCEEDS

To take advantage of the rapid expansion and development of the Macau economy, the Company has been actively seeking suitable investment opportunities in Macau with the view of achieving long-term growth for the Company. Apart from the possible very substantial acquisition in relation to an office building in Macau announced on 19 January 2007 (the “Proposed Acquisition”), the Company is assessing other investment opportunities.

The Directors therefore believe that having regard to the increasing and active investment flows into the Macau economy, it is important that the Company should have access to a substantial amount of cash or highly liquid assets so that it can maintain the competitive advantage and ability to commit on suitable investment opportunities as and when they become available. The Directors therefore consider that it would be in the interests of the Company and the Shareholders to raise long-term equity funding via the proposed Rights Issue, to strengthen the Company’s financial capability for its future investment activities, whilst allowing all Shareholders the equitable opportunity to increase their investment in and participation of the Company’s future prospects.

In the event that the Company proceeds to consummate the Proposed Acquisition, it is expected that the bulk of the Company’s existing cash resources will be utilised. As the Company currently does not have sufficient funding to finance the entire Proposed Acquisition, a portion of the proceeds from the Rights Issue will be utilised for such acquisition (if it happens). If not, the Company’s cash resources would be augmented by the expected net proceeds of approximately HK\$215.0 million (assuming no outstanding Share Options are exercised or Warrants are converted before the Record Date) or approximately HK\$243.4 million (assuming all outstanding Share Options are exercised and Warrants are converted before the Record Date) for deployment of future investment opportunities.

CAPITAL INCREASE

To facilitate the implementation of the proposed Rights Issue, the Directors propose to increase the authorised share capital of the Company from HK\$100 million to HK\$2 billion by the creation of 190 billion new Shares of HK\$0.01 each. The Capital Increase is conditional on the approval of Shareholders at the EGM.

AMENDMENT TO THE SHARE OPTION SCHEME

Given that the methodology and basis of adjustments as set out in the Supplementary Guidance may be different from the literal interpretation of the notes to Rule 17.03(13) of the Listing Rules and the Share Option Scheme, a resolution will be proposed at the EGM approving the amendment to the Share Option Scheme so that the adjustment provisions of the Share Option Scheme will be more clearly in line with the new adjustment mechanism as set out in the Supplementary Guidance.

RESUMPTION OF 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 Friday, 26 January 2007 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on Monday, 29 January 2007.

PROPOSED RIGHTS ISSUE

The Company proposes to raise long term equity capital of the Company by way of a rights issue, on the terms set out below:

Issue statistics (prepared on the basis of the Company's existing 1,693,587,340 Shares in issue, without taking into account any Shares which may be issued between the date of this announcement and the Record Date)

Basis of the Rights Issue	Five (5) Rights Shares for every Share held on the Record Date
Number of Shares in issue	1,693,587,340 Shares as at the date of this announcement
Number of outstanding Share Options	The Company has outstanding Share Options in issue as at the date of this announcement. The outstanding Share Options will lapse on 29 December 2012. Upon exercise of the rights attaching to the outstanding Share Options before the Record Date, 63,300,000 Shares will fall to be issued
Number of outstanding Warrants	The Company has outstanding Warrants in issue as at the date of this announcement. The outstanding Warrants will lapse on 18 May 2007. Upon exercise of the rights attaching to the outstanding Warrants before the Record Date, 160,000,000 Shares will fall to be issued
Number of Rights Shares	not less than 8,467,936,700 Rights Shares (assuming no outstanding Share Options are exercised or Warrants are converted before the Record Date) and not more than 9,584,436,700 Rights Shares (assuming all outstanding Share Options are exercised and Warrants are converted before the Record Date). Save for the outstanding Share Options and Warrants, the Company has no outstanding options, warrants or other securities convertible into or giving rights to subscribe for the Shares as at the date of this announcement
Subscription price per Rights Share	HK\$0.026 per Rights Share with par value of HK\$0.01 each
Enlarged issued share capital upon completion of the Rights Issue (assuming no outstanding Share Options are exercised or Warrants are converted before the Record Date)	HK\$101,615,240.40 comprising 10,161,524,040 Shares
Enlarged issued share capital upon completion of the Rights Issue (assuming all outstanding Share Options are exercised and Warrants are converted before the Record Date)	HK\$115,013,240.40 comprising 11,501,324,040 Shares

Assuming that no outstanding Share Options are exercised and no Warrants are converted before the Record Date, the 8,467,936,700 nil-paid Rights Shares proposed to be provisionally allotted represent: (a) five times the Company's existing issued share capital; and (b) approximately 83.33% of the Company's enlarged issued share capital upon completion of the Capital Increase 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: (i) registered as a member of the Company at the close of business on the Record Date; and (ii) a Qualifying Shareholder.

In order to be registered as members of the Company at the close of business on the Record Date, owners must lodge any transfers of Shares (together with the relevant share certificates) with the Company's branch registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:00 p.m. on Wednesday, 7 March 2007.

Holders of outstanding Share Options and Warrants who wish to participate in the Rights Issue should exercise their Share Options and convert their Warrants in accordance with their respective terms before 4:00 p.m. on Wednesday, 7 March 2007 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 Thursday, 8 March 2007 to Monday, 12 March 2007 (both dates inclusive). No transfers of Shares will be registered during this period.

Subscription price

The subscription price for the Rights Shares is HK\$0.026 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:

- (i) a discount of approximately 80.88% to the closing price of HK\$0.136 per Share as quoted on the Stock Exchange on 25 January 2007, being the last date on which trading took place in the Shares before suspension of trading prior to the release of this announcement;
- (ii) a discount of approximately 40.90% to the theoretical ex-rights price of HK\$0.044 per Share, which is calculated on the basis of the closing price of HK\$0.136 per Share on 25 January 2007;
- (iii) a discount of approximately 80.00% to the average of the closing prices per Share for the 10 trading days ended on 25 January 2007 of approximately HK\$0.130; and
- (iv) a discount of approximately 91.03% to the audited net tangible asset value per Share of the Group as at 31 July 2006 of HK\$0.29.

The Shares have been trading at prices substantially below the net tangible asset value per Share. In terms of historical prices, closing prices of the Shares were on a downward trend where during the period from 26 July 2006 up to 1 September 2006 closing prices per Share had traded between a high of HK\$0.193 on 26 July 2006 and a low of HK\$0.083 on 1 September 2006. From 4 September 2006 to 19 January 2007, the Shares had been traded in a narrow band between the lowest and highest closing prices of HK\$0.087 to HK\$0.141 respectively.

The subscription price for the Rights Shares was determined after arm's length negotiations between the Company and the Underwriter. Making reference to the size of the Rights Issue, the historical market trading statistics of the Shares, the Underwriter indicated that it is willing to underwrite the Rights Shares at prices not higher than HK\$0.026 per Rights Share.

The Directors acknowledged the substantial amounts of the relevant discounts to the relative share values as indicated above. After taking into consideration the reasons for the Rights Issue as stated in the paragraph headed "Reasons for the Rights Issue and use of proceeds" below, the Directors consider the terms of the Rights Issue, including the subscription price and in the context of the Company's long-term growth objective, to be fair and reasonable and is in the best interests of the Company and the Shareholders.

Basis of provisional allotment

The basis of the provisional allotment shall be five Rights Shares for every Share, being not less than 8,467,936,700 Rights Shares and not more than 9,584,436,700 Rights Shares at a price of HK\$0.026 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 Tuesday, 3 April 2007 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 Tuesday, 3 April 2007 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 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 Overseas 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 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 Circular 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 can be made only by completing an 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 topping-up odd lots to whole board lots.

Investors with their Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, investors whose Shares are registered in the names of nominee companies should note that the aforesaid arrangement in relation to the top-up of odd lots for allocation of excess Rights Shares will not be extended to them individually. Investors with their Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own name(s) prior to the Record Date.

For investors whose Shares are held by their nominee(s) and would like to have their names registered on the register of members of the Company, they must lodge all necessary document with the branch share registrar of the Company in Hong Kong for completion of the relevant registration by 4:00 p.m. on Wednesday, 7 March 2007.

The latest time for acceptance of Rights Shares is expected to be at 4:00 p.m. on Wednesday, 28 March 2007, or such later date as may be agreed between the Company and the Underwriter.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. The nil-paid Rights Shares shall have the same board lot size as the Shares, i.e. 5,000 Shares in one board lot.

Dealings in the Rights Shares in their nil-paid and fully-paid forms will be subject to the payment of stamp duty in Hong Kong.

Underwriting arrangements

Underwriting agreement dated 25 January 2007

The Underwriter has agreed to fully underwrite up to 7,677,454,200 Rights Shares, which represent approximately 66.75% of the issued 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 9,584,436,700 Rights Shares, assuming all outstanding Share Options are exercised and all Warrants are converted before the Record Date, less the 1,906,982,500 Rights Shares to be issued to and accepted by Supervalve). To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Underwriter and its ultimate beneficial controlling shareholders do not have any shareholding in the Company and are not connected persons 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 passing by Shareholders if the necessary resolutions in general meeting to approve the Capital Increase on or before the date of despatch of the Prospectus Documents and all necessary approvals being obtained, if any;
- (ii) the Listing Committee of the Stock Exchange agreeing to grant and not having withdrawn or revoked listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms prior to the date on which the nil-paid Rights Shares commence trading; and
- (iii) compliance with and performance of all the obligations of the Company as specified in the Underwriting Agreement.

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 2% 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.

Undertaking from Supervalue

As at the date of this announcement, Supervalue, which is wholly-owned by Mr. Chu, is interested in 381,396,500 Shares, representing approximately 22.52% of the total issued share capital of the Company. Supervalue has irrevocably undertaken to the Company and the Underwriter that the Shares beneficially owned by it will remain beneficially owned by Supervalue at the close of business on the Record Date as they are on the date of the undertaking, being the date of the Underwriting Agreement, and that the Rights Shares to be allotted in respect of those Shares will be taken up in full, representing 1,906,982,500 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 it to the Company at any time prior to 4:00 p.m. on the Settlement Date if:

1. there occurs:
 - (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. 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
3. 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

4. the Prospectus Documents, when published, contain information which would be untrue or inaccurate in any material respect and the Company has failed to send out promptly any announcements or circulars (after the despatch of 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.

If the Underwriter exercises such right, the Rights Issue will not proceed. Upon the giving of notice of termination, all obligations of the Underwriter under the Underwriting Agreement shall cease and neither it nor the Company shall have any claim against the 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 the fees and expenses payable under it (other than the underwriting commission).

WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES

The Shares will be dealt in on an ex-rights basis from Tuesday, 6 March 2007. Dealings in the Rights Shares in the nil-paid form will take place from Thursday, 15 March 2007 to Friday, 23 March 2007 (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 Shares and Rights Shares in their nil-paid form 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 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 Thursday, 8 March 2007 to Monday, 12 March 2007 (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 proposed Rights Issue is set out below:

2007

Last day of dealings in Shares on a cum-rights basis Monday, 5 March

First day of dealings in Shares on an ex-rights basis Tuesday, 6 March

Latest time for lodging transfers of Shares in order
to qualify for the Rights Issue 4:00 p.m., Wednesday, 7 March

Register of members closes Thursday, 8 March to
Monday, 12 March (both dates inclusive)

Latest time for return of proxy form of EGM
(not less than 48 hours prior to EGM) 9:00 a.m., Saturday, 10 March

Expected date of EGM 9:00 a.m., Monday, 12 March

Record Date	Monday, 12 March
Despatch of the Prospectus Documents	Tuesday, 13 March
First day of dealings in nil-paid Rights Shares	Thursday, 15 March
Latest time for splitting of nil-paid Rights Shares	4:00 p.m., Tuesday, 20 March
Last day of dealings in nil-paid Rights Shares	Friday, 23 March
Latest time for payment for and acceptance of Rights Shares	4:00 p.m., Wednesday, 28 March
Rights Issue expected to become unconditional	after 4:00 p.m., Friday, 30 March
Announcement of results of acceptance and excess application of the Rights Issue	Monday, 2 April
Despatch of refund cheques for wholly and partially unsuccessful excess applications	Tuesday, 3 April
Share certificates for Rights Shares to be posted	Tuesday, 3 April
First day of dealings in fully-paid Rights Shares	Tuesday, 10 April

Note:

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 Warrants are converted and no Share Options are exercised before the Record Date, the shareholding in the Company immediately after the completion of the Rights Issue will be as follows:

	Existing shareholding as at the date of this announcement		Immediately after completion of the Rights Issue (assuming all Rights Shares are taken up by Qualifying Shareholders)		Immediately after completion of the Rights Issue (assuming no Rights Shares are taken up by Qualifying Shareholders other than Supervalve)	
	Shares	%	Shares	%	Shares	%
Supervalve	381,396,500	22.52	2,288,379,000	22.52	2,288,379,000	22.52
Underwriter (<i>Notes</i>)	—	—	—	—	6,560,954,200	64.57
Public	1,312,190,840	77.48	7,873,145,040	77.48	1,312,190,840	12.91
Total	1,693,587,340	100.00	10,161,524,040	100.00	10,161,524,040	100.00

Notes:

1. 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 and the sub-underwriters will not individually own 30% or more of the issued share capital of the Company after completion of the Rights Issue.
2. It is the current intention of the Underwriter and the sub-underwriters that they shall procure to place down all (or partial) their shareholdings as a result of the Rights Issue. Neither the Underwriter nor the sub-underwriters has any intentions to become the single largest Shareholder as a result of the Rights Issue.

Assuming all outstanding Warrants are converted and all Share Options are exercised before the Record Date, the shareholding in the Company immediately after the completion of the Rights Issue will be as follows:

	Shareholding immediately after exercising the outstanding Share Options and conversion of the Warrants in full		Immediately after completion of the Rights Issue (assuming all Rights Shares are taken up by Qualifying Shareholders)		Immediately after completion of the Rights Issue (assuming no Rights Shares are taken up by Qualifying Shareholders other than Supervalue)	
	Shares	%	Shares	%	Shares	%
	Supervalue	381,396,500	19.90	2,288,379,000	19.90	2,288,379,000
Directors	46,500,000	2.43	279,000,000	2.43	46,500,000	0.40
Underwriter (Notes)	—	—	—	—	7,677,454,200	66.75
Public	1,488,990,840	77.68	8,933,945,040	77.68	1,488,990,840	12.95
Total	1,916,887,340	100.00	11,501,324,040	100.00	11,501,324,040	100.00

Notes:

1. 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 and the sub-underwriters will not individually own 30% or more of the issued share capital of the Company after completion of the Rights Issue.
2. It is the current intention of the Underwriter and the sub-underwriters that they shall procure to place down all (or partial) their shareholdings as a result of the Rights Issue. Neither the Underwriter nor the sub-underwriters has any intentions to become the single largest Shareholder as a result of the Rights Issue.

The Underwriter is a wholly-owned subsidiary of 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 32.14% by Honeylink Agents Limited, an investment holding company incorporated in the British Virgin Islands with limited liability and as to approximately 67.86% by the public as at the date of this announcement. The Underwriter and its ultimate controlling shareholders are Independent Third Parties and are not parties acting in concert with Supervalue. The sub-underwriters and their ultimate beneficial owners are Independent Third Parties and are not parties acting in concert with Supervalue 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 places 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 Company will ensure compliance with the public float requirements under Rule 8.08 of the Listing Rules upon completion of the Rights Issue.

The Stock Exchange has stated that it will closely monitor trading in the Adjusted 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 Adjusted 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 Shares; or
- there are too few Shares in public hands to maintain an orderly market,

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

Reasons for the Rights Issue and use of proceeds

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

According to the annual report of the Company for the financial year ended 31 July 2006, the Group recorded an audited consolidated turnover of approximately HK\$408.9 million (2005 restated: approximately HK\$25.7 million), net profit of approximately HK\$28.9 million (2005: net profit of approximately HK\$6.4 million), and had net tangible asset value of approximately HK\$484.8 million (2005 restated: approximately HK\$155.1 million) as at 31 July 2006. The Directors attributed such improvements was mainly due to the increase in interest and dividend income and unrealised holding gain on investments held for trading, which was partly offset by the downward revaluation of investment properties and increase in administration costs.

According to the interim report of the Company for the six months ended 31 January 2006, the Group had a net loss of approximately HK\$1.6 million was recorded compared to a net profit of approximately HK\$13.7 million for the same period in 2005. The Directors attributed such loss was mainly due to the decrease in unrealised holding gain on investment in securities and derivative financial instruments of approximately HK\$8.7 million, coupled with an increase in administration expenses of approximately HK\$2.3 million.

The Group has been seeking and assessing a number of 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.

To take advantage of the rapid expansion and development of the Macau economy, the Company has been actively seeking suitable investment opportunities in Macau with the view of achieving long-term growth for the Company. Apart from the possible very substantial acquisition in relation to an office building in Macau announced on 19 January 2007 (the “Proposed Acquisition”), the Company is assessing other investment opportunities.

The Directors therefore believe that having regard to the increasing and active investment flows into the Macau economy, it is important that the Company should have access to a substantial amount of cash or highly liquid assets so that it can maintain the competitive advantage and ability to commit on suitable investment opportunities as and when they become available. The Directors therefore consider that it would be in the interests of the Company and the Shareholders to raise long-term equity funding via the proposed Rights Issue, to strengthen the Company’s financial capability for its future investment activities, whilst allowing all Shareholders the equitable opportunity to increase their investment in and participation of the Company’s future prospects.

The Directors have considered other ways of fund raising, including bank borrowing and placing of new Shares and concluded that bank borrowings, even if practicable, will incur interest costs while placing of new Shares will result in dilution of the interests of Shareholders. The Rights Issue will enhance the capital base of the Group while allowing Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company. On this basis, the Directors consider that it is in the interests of the Company and its Shareholders as a whole to raise capital through the Rights Issue.

The estimated expenses of the Rights Issue (including underwriting commission, legal and professional fee and other related expenses) amount to approximately HK\$5.2 million (assuming no outstanding Share Options are exercised or Warrants are converted before the Record Date) and approximately HK\$5.8 million (assuming all outstanding Share Options are exercised and Warrants are converted before the Record Date) and will be borne by the Company. In the event that the Company proceeds to consummate the Proposed Acquisition, it is expected that the bulk of the Company’s existing cash resources will be utilised. As the Company currently does not have sufficient funding to finance the entire Proposed Acquisition, a portion of the proceeds from the Rights Issue will be utilised for such acquisition (if it happens). If not, the Company’s cash resources would be augmented by the estimated net proceeds of approximately HK\$215.0 million (assuming no outstanding Share Options are exercised or Warrants are converted before the Record Date) or approximately HK\$243.4 million (assuming all outstanding Share Options are exercised and Warrants are converted before the Record Date) for deployment of future investment opportunities.

CAPITAL INCREASE

To facilitate the implementation of the proposed Rights Issue, the Directors propose that a resolution be passed at the EGM to increase the authorised share capital of the Company from HK\$100 million to HK\$2 billion by the creation of 190 billion new Shares of HK\$0.01 each. Upon the Capital Increase becoming effective and assuming no further Shares will be issued prior to the EGM, the authorised share capital of the Company will be HK\$2 billion divided into 200 billion Shares of HK\$0.01 each, of which 1,693,587,340 Shares of HK\$0.01 each will be in issue and fully paid. A circular containing the notice to convene the EGM will be sent to the Shareholders according to the requirements of Listing Rules.

Adjustments in relation to the exercise price of Share Options and the Warrants

The Capital Increase and the Rights Issue may lead to adjustment to the exercise price and/or the number of new Shares to be issued upon exercising of the outstanding Share Options and conversion of the Warrants. Pursuant to the terms of the Share Options Scheme and the terms and conditions of the warrant instruments, the Company will consult its auditors or the independent financial adviser for the required adjustment and the holders of the Share Options and the Warrants will be informed of the required adjustments (if any) as soon as practicable. The Company shall make further announcement with regard to any adjustments in relation to the exercise price of Share Options and the Warrants respectively as and when appropriate.

PREVIOUS FUND RAISING EXERCISE OF THE COMPANY

The table below summarises the fund raising exercise of the Company in the past 12 months ending on the date of this announcement:

Date of announcement	Event	Net proceeds raised (approx.)	Original intended use of proceeds	Actual use of proceeds up to the date of this announcement
30 June 2006	Placing of 264,000,000 new shares	HK\$51.8 million	The Company plans to use the proceeds from the placing as funding to finance the acquisition of properties, property development or other potential investment as and when opportunities arise and/or for additional general working capital	The net proceeds have not been used and are temporarily deposited with banks
8 May 2006	Placing of not more than 264,930,000 warrants	HK\$12.8 million	The proceeds plans to be applied as additional general working capital	The net proceeds have not been used and are temporarily deposited with banks

Save for the above, the Company does not have any fund raising exercise in the past 12 months ending on the date of this announcement.

RESUMPTION OF 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 Friday, 26 January 2007 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on Monday, 29 January 2007.

AMENDMENT TO THE SHARE OPTION SCHEME

Given that the methodology and basis of adjustments as set out in the Supplementary Guidance may be different from the literal interpretation of the notes to Rule 17.03(13) of the Listing Rules and the Share Option Scheme, a resolution will be proposed at the EGM approving the amendment to the Share Option Scheme so that the adjustment provisions of the Share Option Scheme will be more clearly in line with the new adjustment mechanism as set out in the Supplementary Guidance.

GENERAL

The Circular containing, inter alia, further information on the Capital Increase and 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 Increase and the amendment to the Share Option Scheme 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, Supervalve and its associates, all other Directors (excluding independent non-executive Directors) namely Mr. Chu Nin Wai, David (deputy chairman of the Company) and Mr. Lau Chi Kan. Michael (executive Director) and their respective associates will abstain from voting at the EGM in respect of the Capital Increase and 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 established to make recommendations to the Independent Shareholders in respect of voting on the resolutions to approve the Capital Increase and Rights Issue at the EGM by way of poll. An independent financial adviser will be appointed to advise the independent board committee of the Company and the Independent Shareholders in relation to the terms of the Rights Issue. 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 Capital Increase and the recommendation of the independent board committee of the Company to the Independent Shareholders.

As the Underwriter and sub-underwriters will fully sub-underwrite or otherwise ensure they are not required to acquire any of the Shares that they have underwritten pursuant to the Underwriting Agreement, none of them will own 30% or more of the enlarged issued share capital of the Company following the completion of the Rights Issue. Accordingly, there will not be any takeovers' implication as prescribed under the Hong Kong Code on Takeovers and Mergers.

Subject to the Capital Increase 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

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

“Acceptance Date”	28 March 2007 (or such other date as the Underwriter may agree in writing with the Company as the last date for acceptance of, and payment of, Rights Shares)
“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 Increase”	the proposed increase in authorised share capital of the Company from HK\$100 million to HK\$2 billion by the creation of 190 billion new Shares
“Circular”	the circular containing further information on the Capital Increase, the Rights Issue and the amendment to the Share Option Scheme, together with the notice of EGM to approve the relevant resolutions
“Company”	Capital Estate Limited , a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange
“connected persons”	the meaning given to it in the Listing Rules
“Director(s)”	the 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 Monday, 12 March 2007 at which resolutions will be proposed to consider and, if thought fit, approve the Capital Increase, Rights Issue and the amendment to the Share Option Scheme
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders other than Supervalve and its associates
“Independent Third Party(ies)”	person(s), or in the case of companies, their ultimate beneficial owner(s), who are independent of and not connected with the Company and its connected persons or their respective associates (as “associates” is defined in the Listing Rules)
“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 Shareholders”	Overseas Shareholder(s) in respect of whom the Directors, based on legal opinions provided by legal advisers, consider it necessary or expedient not to offer the Rights Issue to such Overseas Shareholder(s) 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 Shareholders”	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, which for the purpose of this announcement excludes Hong Kong and Macau
“Prospectus”	the 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”	12 March 2007 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 five Rights Shares for every Share in issue on the Record Date at a price of HK\$0.026 per Rights Share
“Rights Share(s)”	new Share(s) to be issued and allotted under the Rights Issue, being not less than 8,467,936,700 Shares and not more than 9,584,436,700 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)
“Shares(s)”	share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Share Option(s)”	the outstanding share option(s) granted by the Company pursuant to the Share Option Scheme

“Share Option Scheme”	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
“Supplementary Guidance”	the supplementary guidance on Rule 17.03(13) of the Listing Rules issued by the Stock Exchange dated 5 September 2005
“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 25 January 2007 entered into between the Company and the Underwriter in relation to the underwriting and certain other arrangements in respect of the Rights Issue
“Warrants”	warrants issued by the Company in amounts of subscription rights of HK\$0.20 for each warrant entitling the holders thereof to subscribe up to an aggregate amount of HK\$52,986,000 for new Shares at an initial subscription price of HK\$0.20 per Share subject to adjustment, at any time from the date of issue on 19 May 2006 thereof up to 18 May 2007
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 26 January 2007

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.