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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Capital Estate Limited** (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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 SUBDIVISION OF SHARES AND CHANGE OF BOARD LOT SIZE

A notice convening the EGM of the Shareholders of the Company to be held at Boardroom 3 and 4, Mezzanine Level, Renaissance Harbour View Hotel, 1 Harbour Road, Wan Chai, Hong Kong on 20 December 2005 at 10:00 a.m. (or any time as soon as practicable after the conclusion or adjournment of the annual general meeting of the Company to be held at 9:00 a.m. on the same day) is set out on page 12 of this circular. Whether or not you intend to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company’s share registrar, Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong as soon as possible and in any event not later than 48 hours before the respective time appointed for holding the meeting or any adjournment thereof (as the case may be).

Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting thereof should you so wish.

28 November 2005

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EXPECTED TIMETABLE

2005

Latest time for lodging forms of proxy for the EGM	10:00 a.m. on Sunday, 18 December
EGM	10:00 a.m. on Tuesday, 20 December
Effective date of the Share Subdivision	Wednesday, 21 December
Dealings in the Subdivided Shares commence	Wednesday, 21 December
Original counter for trading in existing Shares in board lots of 2,000 Shares temporarily closes	9:30 a.m. on Wednesday, 21 December
Temporary counter for trading in board lots of 10,000 Subdivided Shares (in the form of Existing Share Certificates) opens	9:30 a.m. on Wednesday, 21 December
First day of free exchange of Existing Share Certificates for New Share Certificates	Wednesday, 21 December

2006

Original counter for trading in Subdivided Shares in board lots of 5,000 Subdivided Shares (in the form of New Share Certificates) re-opens	9:30 a.m. on Monday, 9 January
Parallel trading in Subdivided Shares (in the form of New Share Certificates and the Existing Share Certificates) commences	9:30 a.m. on Monday, 9 January
Parallel trading in Subdivided Shares (in the form of New Share Certificates and the Existing Share Certificates) ends	4:00 p.m. on Wednesday, 1 February
Temporary counter for trading in board lots of 10,000 Subdivided Shares (in the form of Existing Share Certificates) closes	4:00 p.m. on Wednesday, 1 February

EXPECTED TIMETABLE

Last day for free exchange of Existing Share
Certificates for New Share Certificates Monday, 6 February

Further announcement will be made by the Company for changes, if any, in the expected timetable for implementation of the Share Subdivision and change of board lot size and the associated trading arrangements as aforesaid.

DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context otherwise requires:

“Announcement”	the announcement of the Company dated 9 November 2005 relating to the Share Subdivision
“Board”	the board of Directors
“business day”	a day (other than a Saturday or a Sunday) on which licensed banks are open for business in Hong Kong and the Stock Exchange is open for business of dealing in securities
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	Capital Estate Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held on 20 December 2005 at 10:00 a.m. (or any time as soon as practicable after the conclusion or adjournment of an annual general meeting of the Company to be held at 9:00 a.m. on the same day) at which resolution will be proposed to consider and, if thought fit, approve the proposed Share Subdivision
“Existing Share Certificates”	the “orange” background share certificates of the Shares
“HKSCC”	the Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	25 November 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Share Certificates”	the “pink” background new share certificates for the Subdivided Shares
“Share(s)”	ordinary share(s) of HK\$1.00 each in the share capital of the Company

DEFINITIONS

“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 of the Company adopted on 30 December 2002
“Share Subdivision”	the subdivision of one Share into five Subdivided Shares of HK\$0.20 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subdivided Share(s)”	ordinary share(s) of HK\$0.20 each in the share capital of the Company upon the Share Subdivision becoming effective
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

LETTER FROM THE BOARD



CAPITAL ESTATE LIMITED 冠中地產有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 193)

Executive Directors:

Chu Nin Yiu, Stephen

(Executive Chairman)

Chu Nin Wai, David

(Deputy Chairman)

Lau Chi Kan, Michael

Principal place of business in Hong Kong:

Unit 1901

19th Floor Asia Orient Tower

Town Place

33 Lockhart Road

Wan Chai

Hong Kong

Independent Non-Executive Directors:

Li Sze Kuen, Billy

Wong Kwong Fat

Leung Kam Fai

28 November 2005

To the Shareholders and, for information only, holders of the Share Options

Dear Sir or Madam,

PROPOSED SUBDIVISION OF SHARES AND CHANGE OF BOARD LOT SIZE

1. INTRODUCTION

The Board announced on 9 November 2005 in the Announcement that it intends to put forward to the Shareholders for approval on the proposal relating to the Share Subdivision. The purpose of this circular is to provide you with the information regarding the Share Subdivision and to give you the notice of EGM in order to enable you to make an informed decision on whether to vote for or against the resolution relating to the Share Subdivision.

2. PROPOSED SUBDIVISION OF SHARES AND CHANGE OF BOARD LOT SIZE

Reference is made to the Announcement whereby the Board proposed that each of the existing issued and unissued Shares of HK\$1.00 each in the share capital of the Company be subdivided into five Subdivided Shares of HK\$0.20 each. Upon the Share Subdivision becoming effective, the board lots of Shares will be changed from 2,000 Shares to 5,000 Subdivided Shares. The

LETTER FROM THE BOARD

Share Subdivision and the change of board lots will not result in any change in the relative rights of the Shareholders and the Subdivided Shares will rank *pari passu* in all respects with each other. The Board considers that the change of board lot size will reduce the transaction cost of the Shareholders.

The Board also believes that the reduced amount of investment per board lot of the Subdivided Shares traded at a lower price as a result of Share Subdivision and the change in board lot size (i.e. for illustration purpose, by using the closing price of HK\$3.925 per Share as at the Latest Practicable Date, the existing board lot of 2,000 Shares would worth HK\$7,850; whilst upon completion of the Share Subdivision, the theoretical share price will become HK\$0.785 per Subdivided Share and under the new board lot size of 5,000 Subdivided Shares, the new board lot of 5,000 Subdivided Shares will worth HK\$3,925) will further improve the liquidity in trading of the shares, thereby enabling the Company to attract more investors and widen the Company's shareholder base whereas the Share Subdivision will not have any adverse effect on the financial position of the Company. Given the background to and benefits of the Share Subdivision as mentioned above, the Board considers the Share Subdivision to be in the interests of the Company and its Shareholders.

3. CAPITAL STRUCTURE

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$2,000,000,000 divided into 2,000,000,000 Shares, of which 264,931,468 Shares are in issue and fully paid. Assuming that no further Shares will be issued or repurchased after the Latest Practicable Date and prior to the Share Subdivision becoming effective, the effect of the Share Subdivision to the capital structure of the Company is set out below:

	Immediately before completion of the Share Subdivision	Immediately after completion of the Share Subdivision
Par value of each share	HK\$1.00	HK\$0.20
Number of authorised shares	2,000,000,000 Shares	10,000,000,000 Subdivided Shares
Authorised share capital	HK\$2,000,000,000	HK\$2,000,000,000
Number of shares in issue	264,931,468 Shares	1,324,657,340 Subdivided Shares
Issued share capital	HK\$264,931,468	HK\$264,931,468
Number of unissued shares	1,735,068,532 Shares	8,675,342,660 Subdivided Shares
Unissued share capital	HK\$1,735,068,532	HK\$1,735,068,532

The Subdivided Shares will rank *pari passu* in all respects with each other and the Share Subdivision will not result in any change in the relative rights of the Shareholders. Besides, the Share Subdivision and the increase in size per board lot after the Share Subdivision has become effective will not result in any odd lots other than those which already exist.

LETTER FROM THE BOARD

4. ADJUSTMENT TO THE EXERCISE PRICE AND THE NUMBER OF SHARES RELATING TO THE SHARE OPTION SCHEME OF THE COMPANY

Pursuant to the terms of the Company's share option scheme adopted on 30 December 2002, adjustments are required to be made to the exercise price of and the number of Shares falling to be allotted and issued upon full exercise of the outstanding Share Options as a result of the Share Subdivision.

In accordance with the terms of the shares option scheme and the supplementary guidance issued by the Stock Exchange on 5 September 2005 regarding adjustment of share options under Rule 17.03(13) of the Listing Rules (the "Supplementary Guidance"), the exercise price of and the number of Shares falling to be allotted and issued upon full exercise of the outstanding Share Options will be adjusted (the "Adjustments") in the following manner as a result of the Share Subdivision.

As at the Latest Practicable Date, there are outstanding share options granted by the Company which entitle the holders thereof to subscribe for a total of 1,242,000 Shares at option prices as follows:

Date of grant	Number of Shares issuable on the exercise of the outstanding Share Options as at the Latest Practicable Date	Exercise price per Share as at the Latest Practicable Date (HK\$)	Adjusted number of Subdivided Shares issuable on the exercise of the outstanding Share Options after the Share Subdivision	Adjusted exercise price per Subdivided Share after the Share Subdivision (HK\$)
20 November 2003	416,000	2.34	2,080,000	0.468
17 March 2004	826,000	2.40	4,130,000	0.480
Total	<u>1,242,000</u>		<u>6,210,000</u>	

The Company's independent financial advisor has checked the accuracy of the computation of the Adjustments by reference to the terms of the share option scheme and the Supplementary Guidance and it has come to a conclusion that the Adjustments are fair and reasonable. Separate notification regarding the Adjustments will be sent to holders of the Share Options.

LETTER FROM THE BOARD

5. CONDITIONS OF THE SHARE SUBDIVISION

The Share Subdivision is conditional upon:

- (a) the passing of an ordinary resolution by the Shareholders at the EGM; and
- (b) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Subdivided Shares.

6. LISTING AND DEALING

An application has been made to the Stock Exchange for the listing of and permission to deal in the Subdivided Shares arising from the Share Subdivision.

Subject to the granting of the listing of, and permission to deal in, the Subdivided Shares on the Stock Exchange, the Subdivided 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 Subdivided Shares on the Stock Exchange or such other date as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS 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.

7. FREE EXCHANGE OF NEW SHARE CERTIFICATES

Subject to fulfillment of the conditions set out above and the Share Subdivision taking effect, it is expected that as from Wednesday, 21 December 2005, New Share Certificates will be issued in board lots of 5,000 Subdivided Shares. The Existing Share Certificates will only be valid for delivery, trading and settlement purposes for the period up to 4:00 p.m. on Wednesday, 1 February 2006 and thereafter will not be accepted for delivery, trading and settlement purposes. However, the Existing Share Certificates will continue to be good evidence of legal title to the Subdivided Shares on the basis of one Share for five Subdivided Shares and may be exchanged free of charge for the New Share Certificates for Subdivided Shares upon submission of the Existing Share Certificates to Computershare Hong Kong Investor Services Limited, the Company's share registrars, between 9:00 a.m. and 4:00 p.m. from Wednesday, 21 December 2005 to Monday, 6 February 2006 (both days inclusive) at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

After 4:00 p.m. on Monday, 6 February 2006, the Existing Share Certificates in "orange" colour will remain effective as document of title on the basis of one Share for five Subdivided Shares and may be exchanged for New Share Certificates in "pink" colour at any time on payment of a prescribed fee. It is expected that New Share Certificates will be available for collection within a period of 10 business days after the submission of the Existing Share Certificates.

The New Share Certificates will be issued in "pink" colour in order to distinguish them from the Existing Share Certificates in "orange" colour.

LETTER FROM THE BOARD

8. TRADING ARRANGEMENT FOR SUBDIVIDED SHARES

Subject to the Share Subdivision becoming effective, dealings in the Subdivided Shares are expected to commence on Wednesday, 21 December 2005. Parallel trading arrangements will be established with the Stock Exchange and will be operated from Monday, 9 January 2006 to Wednesday, 1 February 2006 (both days inclusive). The Share Subdivision and the increase in size per board lot after the Share Subdivision has become effective will not result in any odd lots other than those which already exist. Therefore, there is no odd lots arrangement necessary.

Details of the trading arrangement proposed for dealings in the Subdivided Shares are expected to be as follows:

- (i) From 21 December 2005, the original counter for trading in the existing Shares in board lots of 2,000 Shares will be temporarily closed. A temporary counter will be established for trading in the Subdivided Shares in board lots of 10,000 Subdivided Shares. Share certificates for the Subdivided Shares in the form of Existing Share Certificates may only be traded at the temporary counter.
- (ii) With effect from 9 January 2006, the original counter will be re-opened for trading in the Subdivided Shares in board lots of 5,000 Subdivided Shares. Only New Share Certificates for the Subdivided Shares may be traded at the original counter.
- (iii) From 9 January 2006 to 1 February 2006, both days inclusive, parallel trading will be permitted at the two counters mentioned in paragraphs (i) and (ii) above.
- (iv) The temporary counter for trading in the Subdivided Shares in board lots of 10,000 Subdivided Shares (in the form of Existing Share Certificates) will be removed after the close of trading on 1 February 2006.

Shareholders should note that after 1 February 2006, trading will be in board lots of 5,000 Subdivided Shares only and the Existing Share Certificates for the Shares will cease to be marketable and will not be acceptable for dealing and settlement purposes. However, such share certificates will continue to be good evidence of legal title.

9. EGM

Set out on page 12 of this circular is the notice of EGM to be held at Boardroom 3 and 4, Mezzanine Level, Renaissance Harbour View Hotel, 1 Harbour Road, Wan Chai, Hong Kong on 20 December 2005 at 10:00 a.m., (or any time as soon as practicable after the conclusion or adjournment of the annual general meeting of the Company to be held at 9:00 a.m. on the same day), at which an ordinary resolution will be proposed to approve the Share Subdivision.

LETTER FROM THE BOARD

10. ACTION TO BE TAKEN

A form of proxy for use at the EGM is enclosed herein. Whether or not you intend to attend the EGM, you are requested to complete the proxy form and return it to the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM if you so wish.

11. PROCEDURES FOR DEMANDING A POLL

Pursuant to article 74 of the articles of association of the Company, a poll may be demanded in relation to any resolution put to the vote of the EGM before or on the declaration of the result of the show of hands or on the withdrawal of any other demand of a poll:

- (i) by the chairman of the meeting; or
- (ii) by at least three Shareholders present in person or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any Shareholder or Shareholders present in person or by proxy or in the case of a Shareholder being a corporation by its duly authorised representative representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (iv) by any Shareholder or Shareholders present in person or by proxy or in the case of a Shareholder being a corporation by its duly authorised representative representing and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

12. RECOMMENDATION

The Board considers that the Share Subdivision and the change in board lot size are in the interests of the Company and the Shareholders as a whole and, accordingly, the Board recommends Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Share Subdivision.

Yours faithfully,
For and on behalf of the Board
Capital Estate Limited
Chu Nin Yiu, Stephen
Executive Chairman

NOTICE OF EGM



CAPITAL ESTATE LIMITED 冠中地產有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 193)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the shareholders (“Shareholders”) of Capital Estate Limited (the “Company”) will be held at Boardroom 3 and 4, Mezzanine Level, Renaissance Harbour View Hotel, 1 Harbour Road, Wan Chai, Hong Kong on 20 December 2005 at 10:00 a.m., (or any time as soon as practicable after the conclusion or adjournment of the annual general meeting of the Company to be held at 9:00 a.m. on the same day), for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Subdivided Shares (as hereinafter defined) to be resulted from the Share Subdivision (as hereinafter defined), each of the issued and unissued shares of HK\$1.00 in the share capital of the Company be and is hereby subdivided into five shares of HK\$0.20 each (the “Subdivided Shares”) with effect from the business day immediately following the day on which this resolution is passed (the “Share Subdivision”) and the directors of the Company be authorised to issue new share certificates in respect of the Subdivided Shares to holders of existing shares of the Company pursuant to the Share Subdivision and to do all things and execute all documents in connection with or incidental to the Share Subdivision.”

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

Hong Kong, 28 November 2005

NOTICE OF EGM

Notes:

1. A form of proxy for use at the meeting is enclosed herewith.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised.
3. Any shareholder of the Company entitled to attend and vote at the meeting convened by the above notice shall be entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for holding of the above meeting or any adjournment thereof.
5. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting convened or at any adjourned meeting and in such event, the form of proxy will be deemed to be revoked.
6. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote, in respect thereof.

As at the date of hereof, the board of directors of the Company comprises Mr. Chu Nin Yiu, Stephen, Mr. Chu Nin Wai, David and 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.