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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)

DISCLOSEABLE TRANSACTION ACQUISITION OF A 5% INTEREST IN SOCIEDADE DE INVESTIMENTO IMOBILIÁRIO PUN KENG VAN, SARL

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DEFINITIONS

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

| | |
|--------------------------------|--|
| “Acquisition” | the acquisition of a 5% interest in the Macau Company by the Purchaser pursuant to the Agreement |
| “Agreement” | the sale and purchase agreement dated 3 April 2006 made between the Purchaser and the Vendor in relation to the Acquisition |
| “Board” | the board of Directors |
| “Company” | Capital Estate Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange |
| “Completion” | completion of the Agreement which took place upon signing on 3 April 2006 |
| “connected persons” | the meaning given to it in the Listing Rules |
| “Director(s)” | the director(s) of the Company |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “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) |
| “Latest Practicable Date” | 21 April 2006, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Macau” | the Macau Special Administrative Region of the PRC |

DEFINITIONS

| | |
|------------------|--|
| “Macau Company” | Sociedade de Investimento Imobiliário Pun Keng Van, SARL, a company incorporated in Macau with limited liability |
| “Property” | a piece of land located at Avenida Comercial de Macau — Baia de Praia Grande, Zona A “Lote 9” (澳門商業大馬路之土地 — 南灣, A區域 “9地段”) |
| “Purchaser” | Evergood Management Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company |
| “PRC” | the People’s Republic of China, which for the purpose of this circular excludes Hong Kong and Macau |
| “Sale Shares” | 500 shares of MOP100 each owned by the Vendor, in the capital of the Macau Company |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) |
| “Shares(s)” | share(s) of HK\$0.20 each in the capital of the Company |
| “Shareholder(s)” | holder(s) of Share(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Vendor” | Grand Chance Consultants Limited, an Independent Third Party and is an investment holding company and the beneficial owner of 77% interest in the existing issued share capital of the Macau Company |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “MOP” | Macau Patacas, the lawful currency of Macau |
| “%” | per cent. |

Amounts denominated in MOP in this circular have been translated into HK\$ at a rate of MOP1.03 = HK\$1.00 for illustration purposes.

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:

Mr. Chu Nin Yiu, Stephen

(Executive Chairman)

Mr. Chu Nin Wai, David

(Deputy Chairman)

Mr. Lau Chi Kan, Michael

Registered Office:

Unit 1901, 19th Floor

Asia Orient Tower, Town Place

33 Lockhart Road

Wanchai

Hong Kong

Independent non-executive Directors:

Mr. Li Sze Kuen, Billy

Mr. Wong Kwong Fat

Mr. Leung Kam Fai

24 April 2006

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION
ACQUISITION OF A 5% INTEREST IN
SOCIEDADE DE INVESTIMENTO IMOBILIÁRIO PUN KENG VAN, SARL**

1. INTRODUCTION

The Board announced on 4 April 2006 that a sale and purchase agreement was entered into between the Vendor, the Purchaser and Mr. Sio Tak Hong as the guarantor. The Purchaser is a wholly-owned subsidiary of the Company. Pursuant to the Agreement, the Vendor agreed to dispose of and the Purchaser agreed to acquire a 5% equity interest in the Macau Company for a total consideration of HK\$56.25 million. The principal asset of the Macau Company is its 100% ownership of the Property.

The purpose of this circular is to provide you with further information in respect of the Acquisition and other information as required under the Listing Rules.

LETTER FROM THE BOARD

2. THE AGREEMENT

(i) Date

3 April 2006

(ii) Parties

Vendor: Grand Chance Consultants Limited

Purchaser: Evergood Management Limited, a wholly-owned subsidiary of the Company incorporated in Hong Kong with limited liability

Guarantor: Mr. Sio Tak Hong

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor, its ultimate beneficial owner, the guarantor are Independent Third Parties.

(iii) Subject of the Acquisition

Pursuant to the Agreement, the Purchaser has agreed to acquire from the Vendor the Sale Shares at an aggregate consideration of HK\$56.25 million. The Sale Shares represent 5% of the existing issued share capital of the Macau Company.

The Macau Company is a company incorporated in Macau with limited liability and is beneficially owned as to 77% by the Vendor, 5% by China Team Investment Ltd. and 18% by Long Smart Assets Ltd. Immediately after Completion, the Purchaser will hold a 5% interest in the Macau Company. The articles of association of the Macau Company contain pre-emptive rights which were waived by the existing shareholders of the Macau Company in order to enable the Purchaser to acquire the Sale Shares.

The Directors are aware that the existing shareholders of the Macau Company have entered into an agreement to sell 90% of their interest in the Macau Company to certain investors. As at the Latest Practicable Date, such agreement has yet to be completed. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the existing shareholders of the Macau Company and the potential investors for the 90% interest in the Macau Company are Independent Third Parties.

LETTER FROM THE BOARD

Based on the audited accounts of the Macau Company for the year ended 31 December 2005, as at 31 December 2005, the Macau Company had an outstanding shareholders' loan of approximately MOP211.0 million (approximately HK\$204.9 million). The Directors understand that the existing shareholders of the Macau Company intend to waive the shareholders' loan of the Macau Company on or before 1 June 2006. As at the Latest Practicable Date, the Directors are not aware that such shareholders' loan has been waived by the existing shareholders. Pursuant to the Agreement, in the event that such shareholders' loan has not been waived by the existing shareholders of the Macau Company on or before 1 June 2006, the Vendor has agreed to assign 5% of the shareholders' loan to the Purchaser, which is in proportion to its interest in the Macau Company. In the event that such shareholders' loan has not been waived, no additional commitment is required to be paid by the Purchaser to the Vendor for the assignment of the 5% of the shareholders' loan.

Upon Completion, the Company is not entitled to nominate any directors to the Macau Company.

The principal activity of the Macau Company is the ownership of a piece of land located at Avenida Comercial de Macau — Baía de Praia Grande, Zona A “Lote 9” (澳門商業大馬路之土地 — 南灣, A區域 “9地段”). The Property consists of a site area of approximately 3,449 square metres (equivalent to approximately 37,125 square feet) and it is proposed that the Property will be developed into one 57-storey luxurious residential building with a clubhouse and basement for car parking purposes. The Property is currently vacant and pending for development. As at the Latest Practicable Date, there is no concrete plan as to when the development of the Property will commence.

As at the Latest Practicable Date, the Company has no further commitment to develop the site.

(iv) Consideration

The consideration for the Sale Shares of HK\$56.25 million was determined after arm's length negotiations between the parties taking into account the net asset value, the shareholders' loan of the Macau Company and with reference to an independent valuation of the Property of approximately MOP1,200 million (approximately HK\$1,165 million) as at 8 March 2006.

The consideration of HK\$56.25 million for the purchase of the Sale Shares payable to the Vendor was paid in full in cash upon Completion from internal resources of the Group.

LETTER FROM THE BOARD

3. FINANCIAL INFORMATION OF MACAU COMPANY

According to the audited accounts of the Macau Company for the year ended 31 December 2005, as at 31 December 2005, the total assets of the Macau Company were approximately MOP213.1 million (approximately HK\$206.9 million), its total liabilities were approximately MOP212.2 million (approximately HK\$206.0 million) and its net assets were approximately MOP0.97 million (approximately HK\$0.94 million).

4. REASONS FOR AND BENEFITS OF THE ACQUISITION

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

According to a research report on “Greater China Property Index” issued by Jones Lang LaSalle in January 2006, the residential leasing market in Macau was increasingly active as a result of stronger demand from foreigners. In particular, the rents for high-end properties increased by 4.4% during the fourth quarter in 2005. In addition, based on statistics published by the Statistics and Census Bureau of the Macau Government, Macau recorded a total of approximately 18.7 million visitor arrivals in 2005 representing an increase of approximately 12.2% as compared to approximately 16.7 million recorded in 2004. Due to the development of the gaming and tourism industries in Macau, it is expected that professionals and workers will continue to flow in to Macau driving demand for quality residential properties in Macau. Given the prospects of the property market, the Directors consider the terms of the Agreement to be fair and reasonable and in the interests of the Shareholders as a whole.

Furthermore, based on statistics published by the Statistics and Census Bureau of the Macau government, Macau’s GDP increased by 5.8% year-on-year in the first three quarters of 2005, after expanding by 28.3% in 2004 and recorded three consecutive years of double-digit growth since 2002. With the continuing growth of Macau’s economy, the Directors are optimistic about the growth potential for the property market in Macau and thus the Acquisition is in the interests of the Company and Shareholders as a whole. Taking into account (i) the future prospect and growth potential for the property market in Macau, (ii) the financial information of the Macau Company for the year ended 31 December 2005; and (iii) the stated strategy of the Group to expand its property portfolio, the Directors (including the independent non-executive Directors) are of the view that the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole and the terms of the Agreement, including the consideration, are fair and reasonable.

The investment in the Macau Company will be accounted for as an investment in unlisted securities. Accordingly, assets and liabilities of the Macau Company will not be consolidated into the Company’s consolidated financial statements. The investment in the Macau Company will have no impact on the Group’s assets and liabilities. The investment of HK\$56.25 million has been settled in full by cash of HK\$56.25 million from internal resources of the Group. In addition, the future dividend income, if any, from the Macau Company will be recognised in the Group’s profit and loss account.

LETTER FROM THE BOARD

5. GENERAL

The Acquisition constitutes a discloseable transaction for the Company under in Rule 14.06(2) of the Listing Rules. Your attention is also drawn to the additional information set out in the appendix to this circular.

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

1. 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.

2. DISCLOSURE OF INTERESTS

(i) Interests of Directors

As the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange were as follows:

Long position in the shares

| Name of Director | Capacity | Percentage of | |
|----------------------|---|----------------------------|--|
| | | Number of issued Shares | existing issued share capital of the Company |
| Chu Nin Yiu, Stephen | Interest in controlled corporation (<i>Note</i>) | 214,966,000 | 16.23 |

Note:

Mr. Chu Nin Yiu, Stephen is the executive chairman of the Company. The 214,966,000 Shares are beneficially owned by Supervalue Holdings Limited whose interest has been shown in the sub-section headed “Interests of Shareholders discloseable pursuant to the SFO” below, which in turn is wholly-owned by Mr. Chu Nin Yiu, Stephen.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules. Save as disclosed above, as at the Latest Practicable Date, none of the Directors is a director or employee of a company which had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO).

(ii) **Interests of Shareholders discloseable pursuant to the SFO**

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long position in the Shares

| Name of Shareholder | Capacity | Number of issued Shares held | Percentage of existing issued share capital of the Company |
|--|------------------------------------|------------------------------|--|
| Supervalue Holdings Limited (Note 1) | Beneficial owner | 214,966,000 | 16.23 |
| Mark Profit Development Limited (Note 2) | Beneficial owner | 166,430,500 | 12.56 |
| Easyknit Properties Holdings Limited (Note 2) | Interest in controlled corporation | 166,430,500 | 12.56 |
| Easyknit International Holdings Limited (Note 2) | Interest in controlled corporation | 166,430,500 | 12.56 |
| Magical Profits Limited (Note 2) | Interest in controlled corporation | 166,430,500 | 12.56 |

APPENDIX

GENERAL INFORMATION

| Name of Shareholder | Capacity | Number of issued Shares held | Percentage of existing issued share capital of the Company |
|--|------------------------------------|---|---|
| Accumulate More Profits Limited (<i>Note 2</i>) | Interest in controlled corporation | 166,430,500 | 12.56 |
| Trustcorp Limited (<i>Note 2</i>) | Trustee | 166,430,500 | 12.56 |
| Newcorp Ltd. (<i>Note 2</i>) | Interest in controlled corporation | 166,430,500 | 12.56 |
| Newcorp Holdings Limited (<i>Note 2</i>) | Interest in controlled corporation | 166,430,500 | 12.56 |
| Lui Yuk Chu (<i>Note 2</i>) | Beneficiary of a trust | 166,430,500 | 12.56 |
| Koon Wing Yee (<i>Note 2</i>) | Spouse | 166,430,500 | 12.56 |
| David William Roberts (<i>Note 2</i>) | Interest in controlled corporation | 166,430,500 | 12.56 |
| David Henry Christopher Hill (<i>Note 2</i>) | Interest in controlled corporation | 166,430,500 | 12.56 |
| Rebecca Ann Hill (<i>Note 2</i>) | Spouse | 166,430,500 | 12.56 |
| Finnex Limited (<i>Note 3</i>) | Beneficial owner | 117,406,235 | 8.86 |
| Impetus Holdings Limited (<i>Note 3</i>) | Interest in controlled corporation | 117,406,235 | 8.86 |
| Asia Orient Company Limited (<i>Note 3</i>) | Interest in controlled corporation | 117,406,235 | 8.86 |
| Asia Orient Holdings (BVI) Limited (<i>Note 3</i>) | Interest in controlled corporation | 117,406,235 | 8.86 |
| Asia Orient Holdings Limited (<i>Note 3</i>) | Interest in controlled corporation | 117,406,235 | 8.86 |
| Poon Jing (<i>Note 3</i>) | Interest in controlled corporation | 117,406,235 | 8.86 |

Notes:

1. *The 214,966,000 Shares are beneficially owned by Supervalue Holdings Limited, which is in turn wholly-owned by Mr. Chu Nin Yiu, Stephen.*
2. *The 166,430,500 Shares are beneficially owned by Mark Profit Development Limited, a wholly-owned subsidiary of Easyknit Properties Holdings Limited which is in turn wholly-owned by Easyknit International Holdings Limited, the shares of which are listed on the main board of the Stock Exchange and the Singapore Exchange Securities Trading Limited. Easyknit International Holdings Limited is owned as to approximately 36.74% by Magical Profits Limited, a wholly-owned subsidiary of Accumulate More Profits Limited which is in turn wholly-owned by Trustcorp Limited. Trustcorp Limited is the trustee of The Magical 2000 Trust, the beneficiaries of which include Ms. Lui Yuk Chu and her family members other than spouse. Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu, is deemed to be interested in the 166,430,500 Shares under the SFO.*

The aforesaid trustee, Trustcorp Limited, is 100% owned by Newcorp Ltd. which is in turn wholly-owned by Newcorp Holdings Limited. David William Roberts and David Henry Christopher Hill are each interested in 35% of Newcorp Holdings Limited, and Rebecca Ann Hill is the spouse of the latter. Accordingly, they are all deemed to be interested in the 166,430,500 Shares under the SFO.

3. *The 117,406,235 Shares are beneficially owned by Finnex Limited, a wholly-owned subsidiary of Impetus Holdings Limited which is in turn wholly-owned by Asia Orient Company Limited. Asia Orient Company Limited is a wholly-owned subsidiary of Asia Orient Holdings (BVI) Limited, which is in turn wholly-owned by Asia Orient Holdings Limited, the shares of which are listed on the main board of the Stock Exchange. As Mr. Poon Jing is interested in approximately 30.09% of Asia Orient Holdings Limited, he is deemed to be interested in the 117,406,235 Shares under the SFO.*

3. SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group as at the Latest Practicable Date:

Long position in the Shares

| Name of substantial Shareholder | Capacity | Number of issued Shares held | Percentage of existing issued share capital of the Company |
|--|------------------------------------|-------------------------------------|---|
| Supervalue Holdings Limited (Note 1) | Beneficial owner | 214,966,000 | 16.23 |
| Mark Profit Development Limited (Note 2) | Beneficial owner | 166,430,500 | 12.56 |
| Easyknit Properties Holdings Limited (Note 2) | Interest in controlled corporation | 166,430,500 | 12.56 |
| Easyknit International Holdings Limited (Note 2) | Interest in controlled corporation | 166,430,500 | 12.56 |
| Magical Profits Limited (Note 2) | Interest in controlled corporation | 166,430,500 | 12.56 |
| Accumulate More Profits Limited (Note 2) | Interest in controlled corporation | 166,430,500 | 12.56 |
| Trustcorp Limited (Note 2) | Trustee | 166,430,500 | 12.56 |
| Newcorp Ltd. (Note 2) | Interest in controlled corporation | 166,430,500 | 12.56 |
| Newcorp Holdings Limited (Note 2) | Interest in controlled corporation | 166,430,500 | 12.56 |
| Lui Yuk Chu (Note 2) | Beneficiary of a trust | 166,430,500 | 12.56 |
| Koon Wing Yee (Note 2) | Spouse | 166,430,500 | 12.56 |
| David William Roberts (Note 2) | Interest in controlled corporation | 166,430,500 | 12.56 |
| David Henry Christopher Hill (Note 2) | Interest in controlled corporation | 166,430,500 | 12.56 |
| Rebecca Ann Hill (Note 2) | Spouse | 166,430,500 | 12.56 |

Notes:

1. *The 214,966,000 Shares are beneficially owned by Supervalue Holdings Limited, which in turn is wholly-owned by Mr. Chu Nin Yiu, Stephen.*
2. *The 166,430,500 Shares are beneficially owned by Mark Profit Development Limited, a wholly-owned subsidiary of Easyknit Properties Holdings Limited which is in turn wholly-owned by Easyknit International Holdings Limited, the shares of which are listed on the main board of the Stock Exchange and the Singapore Exchange Securities Trading Limited. Easyknit International Holdings Limited is owned as to approximately 36.74% by Magical Profits Limited, a wholly-owned subsidiary of Accumulate More Profits Limited which is in turn wholly-owned by Trustcorp Limited. Trustcorp Limited is the trustee of The Magical 2000 Trust, the beneficiaries of which include Ms. Lui Yuk Chu and her family members other than spouse. Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu, is deemed to be interested in the 166,430,500 Shares under the SFO.*

The aforesaid trustee, Trustcorp Limited, is 100% owned by Newcorp Ltd. which is in turn wholly-owned by Newcorp Holdings Limited. David William Roberts and David Henry Christopher Hill are each interested in 35% of Newcorp Holdings Limited, and Rebecca Ann Hill is the spouse of the latter. Accordingly, they are all deemed to be interested in the 166,430,500 Shares under the SFO.

Save as disclosed above, the Directors or chief executive of the Company are not aware that there are any other persons (not being a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group, or any options in respect of such capital.

4. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or claim of material importance and, so far as the Directors were aware, no litigation or claim of material importance was pending or threatened against the Company or any of its subsidiaries.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any member of the Group which is not expiring or terminable by the Group within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest in businesses, which are considered to compete or are likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

7. MISCELLANEOUS

- (a) The secretary and qualified accountant of the Company is Mr. Hung Yat Ming, CPA,CA.
- (b) The registered office of the Company is at Unit 1901, 19th Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.
- (c) The share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) In the event of inconsistency, the English text of this circular will prevail over the Chinese text.