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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)

**PLACING OF NOT MORE THAN 264,930,000 WARRANTS
AND
RESUMPTION OF TRADING**

On 8 May 2006, the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent would on a best effort basis procure subscribers to subscribe for not more than 264,930,000 Warrants at a price of HK\$0.05 per Warrant.

The exercise price of the Warrants is HK\$0.20 per Share (subject to adjustment), representing (i) a discount of approximately 1.96% to the closing price per Share of HK\$0.204 on 4 May 2006 (the last trading day prior to suspension of trading in the Shares); (ii) a premium of approximately 16.28% to the 5 days average closing price per Share of HK\$0.172 up to and including 4 May 2006; (iii) a premium of approximately 10.50% to the 10 days average closing price per Share of HK\$0.181 up to and including 4 May 2006; and (iv) a discount of approximately 15.25% to the 30 days average closing price per Share of HK\$0.236 up to and including 4 May 2006.

The 264,930,000 new Shares to be issued and allotted following the exercise of the subscription rights attached to the Warrants represent approximately 20.0% of the existing issued share capital of the Company or approximately 16.67% of the enlarged issued share capital of the Company (as enlarged by the issue and allotment of 264,930,000 new Shares following the exercise of the subscription rights attached to the Warrants in full).

The Warrants will be placed to not less than 6 independent professional, institutional and/or individual investors respectively.

The net proceeds from the Warrants are estimated to be approximately HK\$12.8 million, which will be applied as additional general working capital.

Completion of the Placing, is conditional upon the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the 264,930,000 new Shares which may fall to be issued and allotted following the exercise of the subscription rights attached to the Warrants.

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the 264,930,000 new Shares which may fall to be issued and allotted following the exercise of the subscription rights attached to the Warrants. The Warrants will not be listed on the Stock Exchange.

The abovementioned 264,930,000 new Shares which may fall to be issued and allotted following the exercise of the subscription rights attached to the Warrants are to be issued and allotted pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 20 December 2005.

Suspension and resumption of trading in the Shares

At the request of the Company, trading in the Shares has been suspended with effect from 9:30 a.m. on 8 May 2006 pending the issue of this announcement. Application has been made by the Company for the resumption of trading in the Shares with effect from 9:30 a.m. on 9 May 2006.

1. PLACING AGREEMENT DATED 8 MAY 2006

1.1 Parties

- (a) the Company; and
- (b) the Placing Agent.

Get Nice Investment Limited, the Placing Agent, does not own any Shares as at the date of this announcement and is not a connected person (as defined in the Listing Rules) of the Company and is independent from and not connected with the Company and its connected persons.

1.2 The new Shares

The 264,930,000 new Shares to be issued and allotted following the exercise of the subscription rights attached to the Warrants represent approximately 20.0% of the existing issued share capital of the Company or approximately 16.67% of the enlarged issued share capital of the Company (as enlarged by the issue and allotment of 264,930,000 new Shares following the exercise of the subscription rights attached to the Warrants in full).

1.3 The Placing price

The exercise price of the Warrants of HK\$0.20 per Share and the placing price of HK\$0.05 per Warrant were arrived at after arm's length negotiation between the Company and the Placing Agent. The exercise price of the Warrants of HK\$0.20 per Share (subject to adjustment), representing (i) a discount of approximately 1.96% to the closing price per Share of HK\$0.204 on 4 May 2006 (the last trading day prior to suspension of trading in the Shares); (ii) a premium of approximately 16.28% to the 5 days average closing price per Share of HK\$0.172 up to and including 4 May 2006; (iii) a premium of approximately 10.5% to the 10 days average closing price per Share of HK\$0.181 up to and including 4 May 2006; and (iv) a discount of approximately 15.25% to the 30 days average closing price per Share of HK\$0.236 up to and including 4 May 2006; and (v) a discount of approximately 28.57% to the unaudited consolidated net asset value per Share of HK\$0.28 (based on the unaudited consolidated net assets of HK\$366.84 million as at 31 January 2006, and 1,324,657,340 Shares in issue as at 31 January 2006).

The Placing Agent will charge a placing commission of 1% of the aggregate placing price of the Warrants for which it has procured subscribers. The total cost of the Placing (approximately HK\$450,000) shall be borne by the Company, accordingly, the cost per warrant is approximately HK\$0.0017, hence, the net placing price of each Warrant is approximately HK\$0.0483.

1.4 Rights and ranking of the Warrants

The Warrants will be constituted by way of deed poll and will rank pari passu in all respects with each other.

The Company does not have any outstanding options or rights or securities convertible or exercisable into Shares as at the date of this announcement.

1.5 Principal terms of the Warrants

Exercise price:	HK\$0.20 per Share
Exercise period:	within 1 year from the date of issue
Transferability:	The Warrants are freely transferable but may not be transferred to a connected person of the Company without the prior written consent of the Company
Adjustments:	Exercise price of the Warrants is subject to anti-dilution adjustments in certain events such as share consolidation, share subdivision, capitalization issue, capital distribution, rights issue and other equity or equity derivatives issues
Voting rights:	Holders of the Warrants shall have no voting rights in general meeting

1.6 The Placees

The Placees (and their respective ultimate beneficial owners) will not be connected persons (as defined in the Listing Rules) of the Company and will be independent from and not connected with the Company and its connected persons (as defined in the Listing Rules).

All the Warrants are to be placed on a best effort basis and the Placing is expected to be completed on or about 30 June 2006. The Placing Agent informed the Company that there will be not less than six placees who are (i) professional and institutional investors which term generally includes brokers, dealers and companies (including fund managers), whose ordinary business involves dealing in shares and other securities; (ii) corporate entities which regularly invest in shares and other securities; and (iii) individuals.

The Directors expect that no new substantial shareholder will be introduced to the Company as a result of the Placing even assuming the exercise of the Warrants in full.

1.7 Completion of the Placing

The Placing is subject to the condition set out below. The parties expect that the Placing will be completed on or before the Placing Completion Date (which is expected to be on or about 30 June 2006).

1.8 Condition of the Placing Agreement

Completion of the Placing, is conditional upon, amongst others, the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the 264,930,000 new Shares which may fall to be issued and allotted following the exercise of the subscription rights attached to the Warrants.

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the 264,930,000 new Shares which may fall to be issued and allotted following the exercise of the subscription rights attached to the Warrants. The Warrants will not be listed on the Stock Exchange.

The abovementioned 264,930,000 new Shares which may fall to be issued and allotted following the exercise of the subscription rights attached to the Warrants are to be issued and allotted pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 20 December 2005. As at the date of this announcement, the aforesaid general mandate has not been utilized.

If the condition of the Placing are not fulfilled on or before 30 June 2006 (or such other date or time as may be agreed between the Company and the Placing Agent), then the Placing Agent and the Company shall not be bound to proceed with the Placing and the issue of the 264,930,000 Warrants under the Placing Agreement and such agreement shall cease to be of any effect save in respect of claims arising out of antecedent breach of the Placing Agreement. Further announcement will be made by the Company in the event that less than the maximum number of Warrants are placed under the Placing by the Placing Agent.

2. EFFECT ON THE SHAREHOLDING FOLLOWING COMPLETION OF THE PLACING

Long position in the Shares

Name of Shareholder	As at the date of this announcement		Immediately after completion of the Placing and assuming the exercise of the Warrants in full	
	Number of Shares held	% of issued share capital of the Company	Number of Shares held	% of issued share capital of the Company
Supervalue Holdings Limited (<i>Note 1</i>)	214,966,000	16.23	214,966,000	13.52
Mark Profit Development Limited (<i>Note 2</i>)	166,430,500	12.56	166,430,500	10.47
Finnex Limited (<i>Note 3</i>)	117,406,235	8.86	117,406,235	7.39
Public Shareholders	825,854,605	62.35	825,854,605	51.95
Placees	—	—	264,930,000	16.67
Total	1,324,657,340	100.00	1,589,587,340	100.00

Notes:

1. The 214,966,000 Shares are beneficially owned by Supervalve Holdings Limited, which is in turn wholly-owned by Mr. Chu Nin Yiu, Stephen, an executive Director.
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. REASONS FOR THE PLACING 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.

Taking into account the current securities market condition in Hong Kong, the timeframe required and the certainty to execute the Placing, and the exercise price per Share for the subscription rights attached to the Warrants, the Directors consider this equity fund raising method is the most appropriate arrangement (under the current circumstances) to raise capital for the Company. In particular, (i) it does not have an immediate dilution effect on the shareholding of the existing Shareholders; (ii) it raises funds immediately upon completion of the Placing, and if the Warrants are exercised, further funds will be raised for additional general working capital and the financial conditions and shareholder base of the Company will also be strengthened.

It is intended that the net issue proceeds of the Placing in full of approximately HK\$12.8 million will be used for general working capital.

Upon full exercise of the subscription rights attached to the Warrants, the estimated proceeds are expected to be approximately HK\$53.0 million.

As at the date of this announcement, the Directors are of the view that the Company has sufficient funds to meet its current working capital requirements.

As at the date of this announcement, no specific investment projects have been identified by the Group. The Company will bear all expenses so arising from the Placing, which is expected to amount to approximately HK\$450,000.

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

Date of announcement	Event	Number of Shares issued	Amount raised	Usage
11 August 2005	The issue by way of a rights issue on the basis of four rights shares for every of the then consolidated share of the Company	210,175,944 of the then consolidated shares of the Company	HK\$210.2 million	The proceeds are designated for investment in property sector in general and for general working capital pursuant to the announcement of the Company dated 11 August 2005

4. SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares has been suspended with effect from 9:30 a.m. on 8 May 2006 pending the issue of this announcement. Application has been made by the Company for the resumption of trading in the Shares with effect from 9:30 a.m. on 9 May 2006.

5. DEFINITIONS

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

“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
“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
“Listing Committee”	has the meaning ascribed to such term in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placees”	any individual(s), institutional or other professional investor(s) procured by the Placing Agent to purchase for any of the Warrants pursuant to the Placing Agreement
“Placing”	placement of Warrants pursuant to the Placing Agreement
“Placing Agent”	Get Nice Investment Limited, the placing agent to the Company for the placing of Warrants, a licensed corporation to carry out business in types 1, 4, 6 and 9 regulated activities (dealing in securities, advising on securities and corporate finance, and asset management respectively) under the SFO
“Placing Agreement”	the placing agreement dated 8 May 2006 between the Company and the Placing Agent in respect of the Placing
“Placing Completion Date”	the date of completion of the Placing Agreement
“SFO”	Securities and Futures Ordinance (Chapter 571 of the 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

“Warrants”	warrants to be issued by the Company in units of subscription rights of HK\$0.20 for each Warrant entitling the holders thereof to subscribe for up to an aggregate amount of HK\$52,986,000 for new Shares at a subscription price of HK\$0.20 per Share (subject to adjustment) within one year from the date of issue
“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, 8 May 2006

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

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